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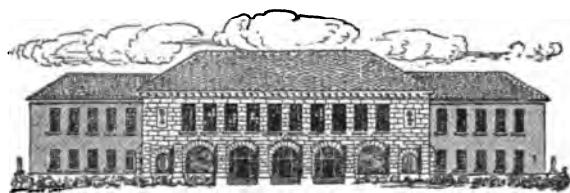
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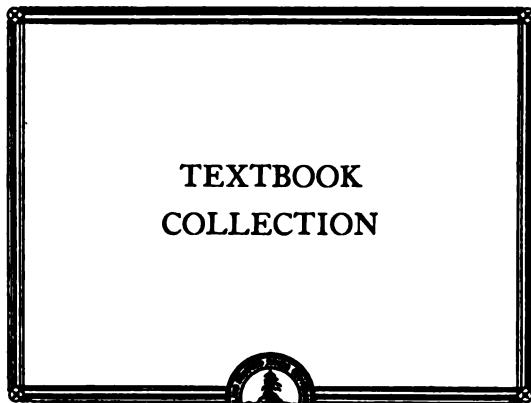
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# LYONS' BOOKKEEPING

## Part I



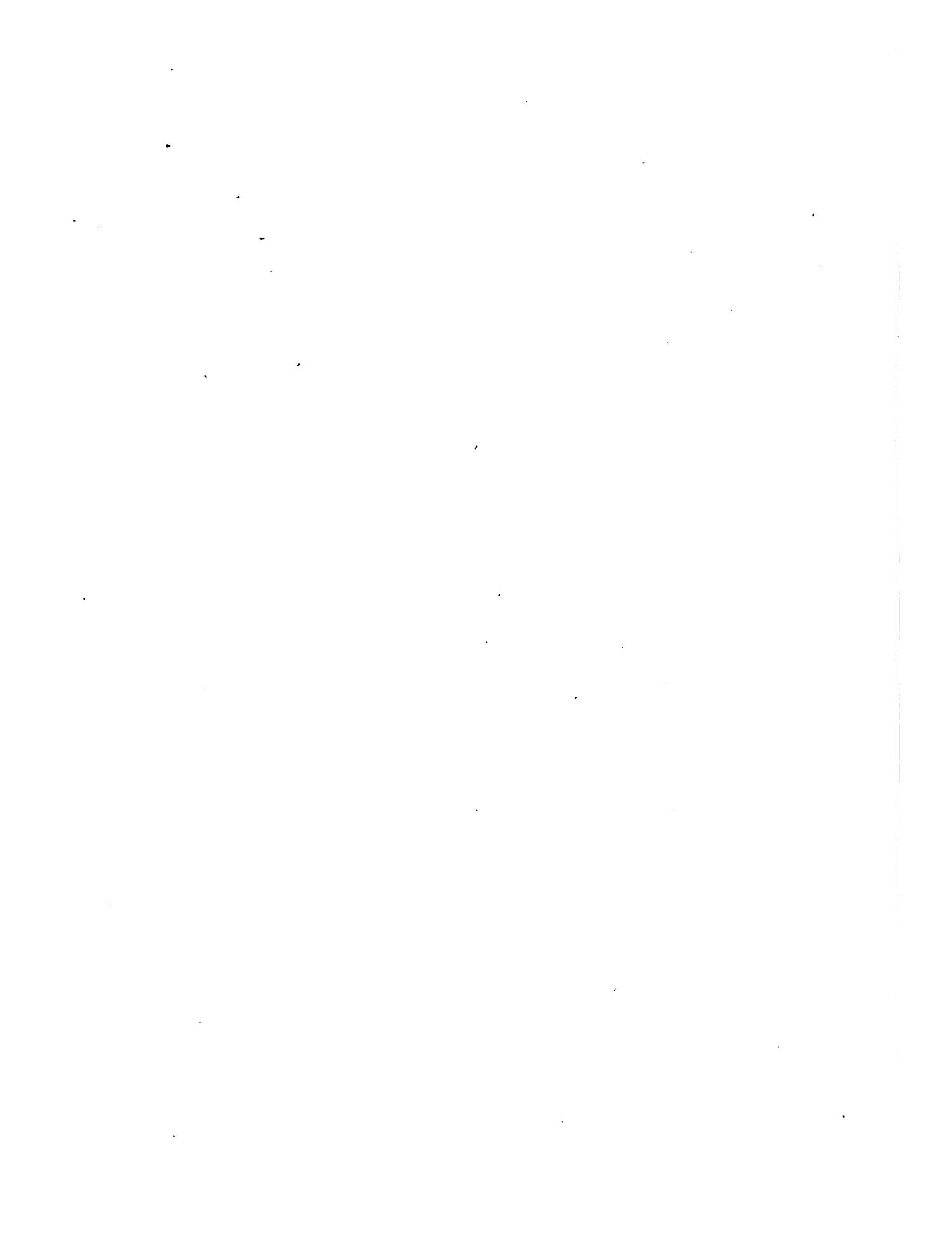
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N.F. Wilson



# LYONS' BOOKKEEPING

A COURSE FOR BEGINNERS

## PART I

BY  
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## PREFACE.

The plan of teaching bookkeeping with business papers is a very popular one and must continue to be the favorite plan for those who wish the course to give the student, in addition to a knowledge of the principles of accounting, a familiarity with the materials and the methods of a modern business office.

There are in general two schemes for teaching bookkeeping by the individual "business practice" plan. The one scheme involves the use of business papers solely to accompany and illustrate the transactions set forth in the text. The other uses the business paper as the basis of the student's entries in his books.

There is a vast difference between these two plans. The former plan makes the business papers a subordinate and auxiliary feature of the work that can be and often is slighted if not absolutely ignored. The latter plan makes the business papers the foundation of the course. The papers come to the student just as they come to him in business; from the data upon them he constructs his bookkeeping entries; and they are then systematically filed and become a part of the records. Thus business papers, a knowledge of which is in itself of value, constitute the central feature of the course, and the student, through receiving them, making his entries, and disposing of them, is taught business procedure, accounting, and office methods.

The plan of using business papers as the basis of the presentation of the transactions is the one which is followed in the business practice sections of LYONS' BOOKKEEPING and these business practice sections constitute the greater part of the course. The transactions are not merely *illustrated by* business papers, but they are *based upon* business papers.

Preceding each of the principal sets using the business papers, a shorter section of the book, in which papers are not used, is devoted to a treatment of the accounting principles which will be involved in the work which is to follow. Thus, the student attempts no work whatever in "business practice" until he has mastered a short chapter without business papers in which he studies accounts and journalizing, and learns how to post and take a trial balance. Again, before taking up the work of the second principal set, he studies in a separate chapter, no business papers being used, the new accounting features which he will use in the second practice set. This plan of teaching accounting principles in separate chapters preceding the business practice sections and without the business papers, presents two distinct advantages: first, the student is enabled to concentrate upon the study of the accounting principles without any distraction, until he gets a thorough intellectual knowledge of the principles studied; second, the accounting principles being intellectually acquired when the student takes up the "business practice," the work of familiarizing the student with forms and drilling him in the bookkeeping operations can proceed without interruption.

Experience has taught that when business papers are merely incidental to a course they will be slighted by students. It is but natural that this should be so. When the author himself presents them in such a way that study of them is largely optional, the course being complete without them, what more natural than that the student should be inclined to regard them as superficial embellishments?

When this text is used, the student has no opportunity to slight the business papers, nor has he any option in the matter. He *must* read and understand them, because his entries are based upon them and his work cannot proceed until he understands them. The result is that he does get a practical familiarity with business paper and his work in accounting has a vital significance for him not possible under other conditions. The study appeals to him as practical and business-like. It fascinates and holds him.

Incoming papers (except two which are of unusual size) are in one pad. They are numbered consecutively and the student is told just when to detach each paper as it is presumed to arrive in the day's mail or to be received at the cashier's desk. It is not possible for the student to become confused or mistaken, as the papers come in just the order in which they are used. The outgoing papers are of course made out by the bookkeeper, just as they would be in business, and suitable blanks are provided for all these. Every step taken by the student is described in the text and instructions are given in such detail that the teacher is entirely relieved from the drudgery of explaining over and over again things that involve no bookkeeping principle but simply relate to the progress of the student's work.

Considerable use is made of "bookkeeping problems." These are practical exercises which are interspersed throughout the text, but which are not a part of the current transactions. By means of these exercises the student is given drill in working out many practical problems which in the nature of things could not all of them be made a part of the regular transactions. Partnership settlements furnish a good illustration of this; the author can illustrate only one plan of settlement at the time of closing partnership books, but by the judicious use of additional problems, the student can be given a fairly complete idea of the different kinds of settlements that can be made, and will receive good discipline in the solution of the problems. These problems are in each case so worded as to make the student think of the problem itself rather than of a formula for solution. They teach him the essence of the business transaction presented, not merely the bookkeeping method or the business procedure involved.

It is not thought that the best results can be secured from any course of study (and particularly is this true of bookkeeping) from which the personal contact between student and teacher is missing, and although LYONS' BOOKKEEPING could probably be used without a tutor more successfully than any text now on the market, we do not advise that it be so used. We do assert, however, that teachers using this course will be required to devote practically no time to matters that relate merely to the student's conduct of work, etc., because these matters are so fully and carefully outlined in the text. The teacher's time may be devoted to observation, guidance, and personal help and encouragement.

The student will find every step explained in detail both as to the principle involved and the procedure followed. Every difficulty is anticipated. There are no pitfalls—no ambiguities. We have avoided the introduction of puzzles and conundrums. The pupil has the right to know what every proposition is, and this right is respected throughout—he is not left to guess the intent of the authors. Nor is it presumed that he knows any of those things which he cannot know without schooling or business experience. The book was written for beginners and it is felt that it meets fully the requirements of such a text book.

# LYONS' BOOKKEEPING

## CHAPTER I ACCOUNTS

**Bookkeeping** is the science of making a systematic record of business transactions in books.

**A Set of Books** includes all the books necessary to contain the records of the transactions of a particular business. This includes books of entry, books of memorandum, and books of account.

**The Purpose** of bookkeeping is to enable those interested to ascertain at any time the *condition* and *progress* of the business.

**The Condition** of the business is its net worth. This is shown by accounts. The condition of a business in its different parts is shown by separate accounts. These accounts, taken together, show the condition of the business as a whole.

**The Progress** of the business is its net gain or loss. This also is shown by accounts. The separate losses and gains are shown by separate accounts. These separate losses and gains, taken together, exhibit the total loss or gain of the business. The total loss or gain for a given period of time can also be found by comparing the condition, or worth, of the business at the end of that period with the worth at the beginning of the period.

**An Account** is a list of items of a certain kind, grouped together under one head in order to show a result of some one part of the business.

The *Cash* account contains all receipts and payments of cash.

The *Notes Receivable* account shows all notes of other persons received and disposed of.

The *Notes Payable* account shows all our notes issued and redeemed.

A *Personal* account shows all transactions with a given person on account.

The *Real Estate* account shows all real estate bought and sold.

The *Merchandise* account shows all merchandise bought and sold.

The *Expense* account shows all costs of expense items (and returns, if any).

The *Interest* account shows all losses and gains from interest.

The *Proprietor's* account shows all investments and withdrawals by the proprietor.

The *Loss and Gain* account shows the separate losses and gains.

And so on.

Some accounts exhibit, by their results, the condition or worth of the different parts of the business.

The result of the *Cash* account shows the amount of cash on hand.

The result of the *Notes Receivable* account shows the amount of notes and acceptances on hand.

The result of the *Notes Payable* account shows the notes payable outstanding against the business.

The result of a *Personal* account shows how much the person owes the business or how much the business owes him.

The result of the *Proprietor's* account shows how much the business owes to the proprietor.

And so on.

Some accounts show, by their results, the progress of the business as to loss or gain.

The result of the *Real Estate* account shows how much the business has lost or gained on real estate. The result of the *Merchandise* account shows how much the business has lost or gained on merchandise.

The result of the *Expense* account shows the amount of loss for expense items.

The result of the *Interest* account shows the loss or gain from interest.

And so on.

The **Ledger** is the book of accounts. The items belonging to each account are classified in the ledger, each under its proper heading.

Following are descriptions of ten of the principal accounts usually found in a ledger.

#### THE CASH ACCOUNT

**PURPOSE:** To show the receipts and payments of cash.

**METHOD:** Debit the account when cash is received. Credit the account when cash is paid out.

**RESULT:** The difference between the two sides is the amount of cash on hand.

#### ILLUSTRATIVE EXERCISE:

19—

Sept. 1. Received cash from H. M. Strong, the proprietor, \$2,000.00.  
 2. Paid cash for merchandise, \$750.00.  
 3. Paid rent for September in cash, \$50.00.  
 4. Received cash from sales of merchandise, \$60.00.  
 5. Paid cash for our note due to-day, \$220.00.  
 6. Received cash from John Doe on account, \$23.50.  
 8. Paid janitor's wages in cash, \$7.50.  
 9. Received cash for house and lot, \$4,000.00.  
 10. Paid cash to Richard Roe on account, \$100.00.  
 11. Received cash for interest on a note, \$10.50.

#### ILLUSTRATION

### Cash

19- Date	Explanation	Date	Amount	19- Date	Explanation	Date	Amount
Sept. 1			2000	Sept. 2			750
4			60	3			50
6			23.50	5			220
9			4000	8			7.50
11			10.50	10			100
				30	Balance		✓ 4966.50
			6094.00				6094.00
Oct. 1	Balance	1	4966.50				

Note that the account is divided into two parts, the left-hand side and the right-hand side. By universal custom, these two sides are called the *debit* and *credit* sides (abbreviated Dr. and Cr.). The left-hand side is called the debit side. The right-hand side is called the credit side. All receipts of cash are entered on the debit side, and are called *debits*; when such entries are made, the cash account is said to be *debited* or "charged." All payments of cash are entered on the credit side, and are called *credits*; when such entries are made, the cash account is said to be *credited*.

Each side contains columns for date, explanation, folio, and amount, as shown in the illustration. The explanation column and the folio column, in the illustration, are left blank; the purposes of these columns will be explained later.

Trace the transactions from the *Illustrative Exercise* to the *Illustration*.

The heading "Cash" is written on the line above the horizontal ruling at the top. It is written in a plain, bold hand, somewhat larger than the writing used in the body of the account.

It may assist the student at first to write the abbreviation "Dr." above the year date on the left-hand side and "Cr." above the year date on the right-hand side, writing in a small, neat hand. This is not a customary practice, however, and should be discontinued as soon as the student becomes familiar with the use of the debit and credit sides.

#### EXPLANATION:

Sept. 1, 19—. Cash is received. The date is entered in the date column on the debit side, the year date being placed just above the horizontal ruling at the top of the account. The amount is written in the money column. The cent spaces are left blank when the amount is in even dollars.

Sept. 2, 19—. The date and amount of the cash paid out are entered on the credit side in the proper columns. The year date is placed just above the month and day, as before.

Trace through the rest of the transactions.

How much cash has been received?

How much cash has been paid out?

How much cash remains on hand?

Is it ever possible for the credit side of the cash account to be the larger? Why?

#### To BALANCE THE ACCOUNT

The account is now to be "balanced"; i. e., ruled up with a balance so that the amount of cash on hand may be seen at a glance.

1st. Ascertain the amount of the balance by subtracting the smaller from the larger side.

2d. Write this balance on the smaller side in red ink, dating it. Assume, for the present, that the date of balancing is Sept. 30. Write the explanation "Balance" in the explanation column, and place a check mark in the folio column.

3d. Rule a single red line underneath the lowest item on the account. This line is ruled across the money column only. Rule a single red line across the money column of the other side, on the same line.

4th. Foot both money columns, writing the footings in black ink on the next line below the single red line.

5th. Rule a double red line below the footings. This line should extend across the entire page, except that it is not ruled across the explanatory columns.

6th. Bring the balance down in black ink below the double red ruling, on the side opposite that on which the red ink balancing entry is placed. Date this Oct. 1. Use the explanation "Balance" and place a check mark in the folio column.

Work out the following exercises on the first page of your ledger (Blanks I, Book 2). Write the heading "Cash" for the first exercise, on the blue line above the horizontal red rulings at the top of the page. Write the first entry on the line immediately below the horizontal red rulings. Do not forget the year dates. Write on all lines on both sides, leaving no blank lines except when one side is unfilled at the time of balancing, as shown in the illustration. After completing Exercise I, leave four blank lines and write the heading "Cash" again. On the next line below the word "Cash," rule a double red line clear across the page and work Exercise II.

#### EXERCISE I

19—

Jan. 1. The proprietor, W. H. Armsby, invested cash, \$2,500.00.  
 2. Paid cash for merchandise, \$200.00.  
 3. Sold for cash, merchandise amounting to \$45.00.  
 4. Paid the clerk's salary in cash, \$10.00.  
 6. Paid the rent in cash, \$65.00.  
 7. John Doe paid us cash on account, \*\$34.50.  
 8. Richard Roe redeemed his note in our favor by paying us cash, \$320.60.  
 9. Paid the First Nat'l Bank cash for interest on money borrowed, \$8.64.  
 10. Sold a bill of goods for \$24.30 cash.  
 11. Loaned John Doe cash on account, \$5.00.  
 12. Bought merchandise for cash, \$250.00.  
 14. Sold for cash, merchandise amounting to \$17.28.

How much cash was received?

How much cash was paid out?

How much cash remains on hand?

Balance the account, dating the balancing entry Jan. 31. Do not forget to "bring the balance down" below the double ruled line.

---

\*"On Account" means that the cash was paid us for something not delivered to Mr. Doe at the time. Probably it was in payment for something he had bought at some previous time, which he had had charged to his *account*. The payment was made "on account."

## **EXERCISE II**

19—

Feb. 1. J. B. Owen, the proprietor, has invested cash, \$1,500.00.  
2. Paid cash for rent for March, \$50.00.  
3. Paid cash for merchandise bought, \$565.20.  
5. Received cash from John Doe on account, \$44.60.  
6. Paid cash for sundry petty expenses, \$1.67.

Sundry means various. Petty means small. "Sundry petty expenses," therefore, means various small expenses.

How much cash was received?

How much cash was paid out?

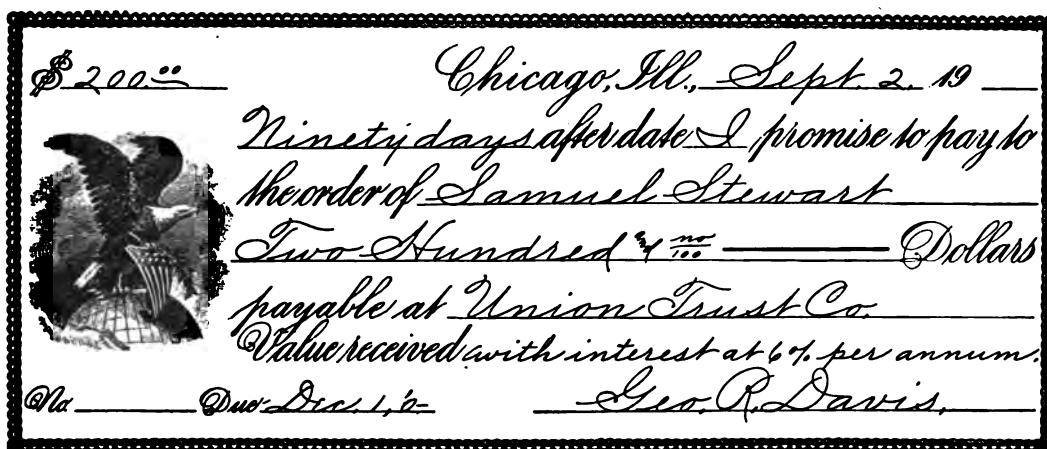
How much remains on hand?

**Balance the account, dating the balancing entry Feb. 28. Bring the balance down.**

## **PROMISSORY NOTES**

A Promissory Note, usually called a note, is a written promise to pay a certain sum of money at a specified time or on demand, to a certain person.

### FORM OF NOTE



The *parties* to a note are the maker and the payee.

The *maker* is the person who signs it, promising to pay. (In the above note, Geo. R. Davis.)

The *payee* is the person to whom the note is made payable. (In the above note, Samuel Stewart.)

Notes may be transferred by the payee to another holder. This transfer is evidenced by the *endorsement* of the payee. This consists of his signature written across the back of the paper, with or without words indicating to whom the paper is sold. The person selling the paper is the *endorser*. The person to whom it is sold is the *endorsee*.

## THE NOTES RECEIVABLE ACCOUNT

PURPOSE: To contain a record of all notes the amounts named in which are to be received by us. This includes notes which we hold as original payee and notes endorsed over to us by the original payee.

METHOD: Debit the Notes Receivable account when a note signed by another is received. Credit the account when such paper is disposed of.

RESULT: The difference between the two sides will show at any time the amount of notes receivable on hand.

Which side of this account will be the larger, if the two sides are not the same?

## ILLUSTRATIVE EXERCISE.

19-

- Sept. 1. The proprietor has invested a note which he holds against A. R. Scott. Face of note, \$105.60.
2. Sold to W. G. Humphrey a bill of goods worth \$34.60, and received his note in payment.
3. Loaned W. J. Burnham \$50.00 in cash, taking his 60-day note in return.
5. Sold the note which we hold against W. G. Humphrey to J. A. Lippincott for cash, \$34.60.
6. Received H. M. Owen's note for \$65.00 on account.
7. A. R. Scott has paid his note in cash, \$105.60.
8. Paid Jones & Co.'s account against us for \$50.00 by endorsing to them W. J. Burnham's note.

## ILLUSTRATION

Notes Receivable					
Sept.	1	105.60	Sept.	5	34.60
	2	34.60		7	105.60
	3	50		8	50
	6	65		30	Balance 65
			25.520		25.520
Oct.	1	Balance	1	65	

The above illustration shows an account begun below the top of the page.

EXPLANATION: In working the above exercise it was only necessary to apply the *method*—debit the account when a note is received; credit the account when a note is disposed of. The account is balanced the same as the cash account.

Trace each transaction from the *Illustrative Exercise* to the *Illustration*.

## EXERCISE III

19—

- Mar. 1. Received on account C. W. Penney's 60-day note for \$126.50.
2. Holmes & Stoddard have signed a note in our favor for \$250.00 on account.
3. C. W. Penney made a payment of \$26.50 on his note of Mar. 1. (Credit Notes Receivable, as you would if he had paid the note in full and it had been canceled and returned to him. The amount credited is \$26.50.)
4. Received the Chicago Grocery's note for \$247.50 for Mdse. sold them to-day.
5. Holmes & Stoddard have paid cash for their note of Mar. 2, \$250.00.
7. Received H. W. Capron's note for \$46.57 in full of account. (This means that the note was for the entire amount he owed us.)
8. H. E. Casteel has given us a note for \$59.54 payable in ten days, in return for money loaned him.
9. Disposed of the note against H. W. Capron, selling it to the First National Bank for cash, \$46.57.

What was the total of notes receivable received?

What was the total of notes receivable disposed of?

What is the amount of notes receivable still on hand?

Balance the account, dating the entry Mar. 31. The balancing entry is written on the first blank line on the credit side. There will be one blank line on the credit side when the account is balanced. Bring the balance down.

## EXERCISE IV

Open a Notes Receivable account with the balance on hand shown by Exercise III. This is done by making the following entry on the debit side: "April 1, 19—, Balance, \*\*\*.\*\*" Enter the following items:

19—

- April 1. Bought from Green & Co. for \$650.00 in cash a note signed by the Illinois Construction Co.
2. Received of Lloyde Adams on account his note for \$250.00.
3. M. J. Mattison has mailed us his note for \$285.64 to apply on account.
4. Received from John Morrison, on account, a note signed by Oscar Wilson, for \$275.80.
6. Paid the Laclede Gas Co. in full of account, by giving them the note signed by Lloyde Adams, \$250.00.
7. Felix McAvoy paid his account by giving us his note for the amount in full, \$225.75.
8. Sold Felix McAvoy's note to the Harris Trust & Savings Bank for its face value in cash.
9. Received Frank Elliott's 30-day note for \$240.55 for Union Bank stock sold him to-day.
10. Endorsed Oscar Wilson's note for \$275.80 to Jacob Williamson on account.

What was the total of notes receivable received, including the balance on hand April 1? Disposed of? What is the amount remaining on hand? Which side of this account should always be the larger, if the sides are not equal?

Balance the account, dating the entry the last day of the month. Bring the balance down, dating it the first of the next month.

Compare the two sides and make a list of the notes on hand. See that the total of this list, plus the balance on hand April 1, equals the difference between the two sides.

#### THE NOTES PAYABLE ACCOUNT

**PURPOSE:** To contain a record of all notes the amounts of which are to be paid by us. This includes notes signed by us, whether held by the person named by us, or by some other holder.

**METHOD:** Credit the Notes Payable account when we issue a note. Debit the account when we redeem the note (and receive it back, canceled).

**RESULT:** The difference between the two sides will show at any time the amount of such paper outstanding against us.

If the two sides of this account are not equal, which side will be the larger?

#### ILLUSTRATIVE EXERCISE:

19—

1. Issued a note in favor of Jas. Hammond for \$75.00 in payment for a bill of merchandise.
2. Bought of Wilton & Hoyne goods worth \$120.60, and gave them our 60-day note in payment.
3. Gave Longworth & Co. our note for \$250.00 on account.
6. Redeemed our note favor of James Hammond in cash, \$75.00.
7. Made a part payment on our note in favor of Longworth & Co., \$100.00.
8. Received of S. R. George on account, our note in favor of Wilton & Hoyne for \$120.60. (Wilton & Hoyne had evidently endorsed our note over to S. R. George. As Mr. George was in debt to us, he made us a part payment by returning our own note.)

#### ILLUSTRATION

		Notes Payable					
Sept.	6		75	Sept.	1		75
	7		100		2		120.60
	8		120.60		3		250
30	Balance		150				445.60
			445.60				
				Oct.	1	Balance	150

What was the total of notes payable issued?  
 What was the total of notes payable redeemed?  
 What is the balance on notes payable outstanding?

## EXERCISE V

19—

May 1. Issued our note for \$456.78 to C. D. Johns & Co. on account.  
 2. Bought merchandise of H. O. Wright on our note at 15 days, \$75.64.  
 3. Remitted C. D. Johns & Co. \$156.78 cash in part payment of our note in their favor.  
 4. Bought on our note a bill of goods amounting to \$125.60.  
 17. Redeemed our note in favor of H. O. Wright in cash, \$75.64.  
 23. Redeemed our note of May 1 by giving C. D. Johns & Co. a new note for the amount still due on it, \$300.00. (Two entries.)  
 24. Bought Mdse. amounting to \$345.64 from the Ludlow Mercantile Co., and signed a 60-day note in their favor to cover the amount of the bill.  
 25. Paid cash for our note of May 4, \$125.60.  
 26. Bought on our note a bill of goods amounting to \$245.60.

What was the total of notes payable issued?

What was the total redeemed?

What amount is still due on notes payable?

Balance the account and bring the balance down dated June 1. Continue the entries for June on the same account below the rulings.

## EXERCISE VI

19—

June 1. Gave H. W. Austin on account our note for \$376.89.  
 2. Issued our 30-day note for \$250.65 in favor of Geo. S. Kamp in full of account.  
 3. We owed H. F. Crane \$120.00 and settled our account by giving him a 10-day note.  
 4. Paid the note in favor of H. W. Austin in cash, \$376.89.  
 5. Borrowed of the Continental Bank \$250.00 and gave them our 30-day note for the amount.  
 12. Paid our note for \$250.65 in favor of Geo. S. Kamp in cash.  
 13. Bought Mdse. of Hoffman Bros. on our 15-day note, \$123.45.  
 13. Paid T. E. Holmes \$120.00 in cash and received in return our canceled note.  
 15. Bought of E. N. Herbstreet, on our note at 30 days, an invoice of Mdse. amounting to \$253.85.  
 28. Remitted Hoffman Bros. our check for \$123.45 in payment of our note of the 13th inst.  
 30. Bought at the Post Office for cash a money order for \$253.85 and sent it to E. N. Herbstreet in payment of our note in his favor.

What was the total of the notes payable issued, including the balance outstanding June 1?

What was the total of notes payable redeemed?

What is the total of notes payable still outstanding?

Compare the two sides of the account, placing a check mark opposite the amounts of all notes issued during May and June that have since been redeemed. What are the dates and the amounts of the notes still unpaid? Does their total agree with the balance of the account?

#### PERSONAL ACCOUNTS

**PURPOSE:** To contain a record of all transactions with persons, firms, and corporations not settled at the time of their occurrence.

**METHOD:** Debit persons when they cost us something; credit persons when they return us something.

**RESULT:** The difference between the two sides will be the amount due us or due the person. If the debit side be the larger, the person has cost us more than he has returned us, and he owes us. If the credit side be the larger, the person has returned or produced to us more than he has cost us, and we owe him.

#### ILLUSTRATIVE EXERCISE:

19-

- Sept. 1. Sold W. B. Dewey, Galesburg, Ill., on account, Mdse. amounting to \$50.65.
- 2. W. B. Dewey gave us his note on account for \$25.00.
- 3. W. B. Dewey returned Mdse. to the amount of \$5.15 as not being what he ordered.
- 4. Sold W. B. Dewey on account, Mdse. amounting to \$10.25.
- 5. Collected of W. B. Dewey cash, \$20.00.
- 6. Allowed W. B. Dewey \$1.05 for one sack of flour which was spoiled.

#### ILLUSTRATION

*W. B. Dewey Galesburg, Ill.*

Dept. 1				50.65	Sept. 2				25
" "				10.25	3				5.15
.					5				20
.					6				10.5
						30	Balance		9.70
				60.90					60.90
Oct. 1 Balance		✓		9.70					

**EXPLANATION:** W. B. Dewey "cost" us the merchandise which we delivered to him on account on Sept. 1 and Sept. 4. The "returns" on W. B. Dewey's account consisted of: Sept. 2, a note; Sept. 3, goods returned; Sept. 5, cash; and on Sept. 6, a claim for damaged goods.

What is the total W. B. Dewey has cost us?

How much has he returned or produced to us?

Does he owe us or do we owe him, and how much?

What is the advantage of having his account balanced?

The above is called an account receivable, because the amount of its balance is to be received by us. When the balance is to be paid by us, the amount is an account payable.

#### EXERCISE VII

19—

- July 1. Bought of S. Y. Gillan & Co., an invoice of Mdse. amounting to \$240.60.
- 2. Gave them our note on account, \$100.00.
- 3. Returned to them Mdse. as damaged, \$10.00.
- 6. Bought of them a bill of goods amounting to \$129.50.
- 7. We claimed a shortage on yesterday's order of goods amounting to \$9.50, and they allowed the claim.
- 8. Paid them cash on account, \$37.50.

**EXPLANATION:** S. Y. Gillan & Co. have "produced" to us the things we have bought of them. They have cost us the cash, notes, and Mdse. we have delivered to them. Treat the claim allowed on July 7 as though the goods had come and had been returned by us.

How much have we bought of them?

What is the total with which we have debited them?

Do we owe them or do they owe us, and how much?

Balance the account July 31. Bring the balance down dated Aug. 1, and continue Exercise VIII on the same account.

#### EXERCISE VIII

19—

- Aug. 1. Bought of S. Y. Gillan & Co. Mdse. amounting to \$145.60.
- 2. Paid them cash, \$50.00.
- 3. Gave them our note for \$50.00.
- 4. Bought of them an invoice of goods worth \$135.00.
- 5. Endorsed over to them a note which we held against C. O. Boston, \$110.50.
- 6. Returned to them damaged goods, \$12.25.

What is the total of the credit side, including the balance due them Aug. 1?

What is the total of the amounts with which we have debited them during August?

Do we owe them or do they owe us, and how much?

Balance the account Aug. 31. Bring the balance down, dating this entry Sept. 1.

#### THE REAL ESTATE ACCOUNT

**PURPOSE:** To contain a record of the separate purchases and sales of houses and lands.

**METHOD:** Debit the account for costs of real estate. Credit it for returns from sales of real estate. (Costs for repairs, maintenance, etc., are not costs of real estate.)

RESULT: The difference between the two sides, after all real estate has been sold, is a *gain* or *loss*. If all real estate has not been sold, the value of the unsold (which is called the *inventory*) must be entered on the credit side before the gain can be shown.

ILLUSTRATIVE EXERCISE:

19—

- Sept. 1. Bought house and lot, No. 485 Madison Ave., for cash, \$6,000.00.
2. Bought a farm in Henry County for \$10,000.00, and issued a series of notes in payment.
3. Sold half of my farm for \$5,500.00, receiving in payment cash, \$3,500.00, and H. C. Green's note for \$2,000.00.
4. Bought house and lot in Augusta, Ill., for cash, \$3,500.00.
5. Sold to J. E. Smith house and lot, No. 485 Madison Ave., for cash, \$3,100.00, and 6-month note, \$3,000.00.

INVENTORY: The remaining half of the Henry County farm is valued at cost, \$5,000.00. House and lot in Augusta, Ill., at cost.

ILLUSTRATION

Real Estate						
Dept. 1			6000	Dept. 3		5500
2			10000	5		6100
4			3500	30	Inventory	8500
30	Gain		600			
			20100			20100
Oct. 1	Inventory	1	8500			

CLOSING THE ACCOUNT: An account showing loss or gain closes with a loss or a gain, not with a balance. The inventory is entered on the credit side in red ink and added to the returns. In this case the returns, after the inventory is included, exceed the cost. The account therefore shows a gain, which is entered on the smaller side.

WHAT IS DONE WITH THE RED INK ENTRIES: The inventory is brought down in black ink below the closing rulings, on the side opposite to that on which the red ink entry appears. The gain is brought down in black ink, *but not on the same account*. It is taken to the loss and gain account (which will be described later), where it is entered in black on the side opposite to that on which the red ink entry appears in this account.

Study carefully the items in the illustration. From what two sales has the gain of \$600.00 arisen? What was the gain on each sale? Does their total agree with the result of the account?

**EXERCISE IX**

<sup>19—</sup>

- Sept. 1. Bought of D. F. Godfrey, store and lot, No. 184 Main St., for \$7,200.00. Paid him cash, \$3,000.00, and my note for \$3,000.00. The balance, \$1,200.00, I credited to his account.
2. Bought a farm just outside of the city limits from W. M. Carter for \$15,000.00. Gave him in payment cash, \$5,000.00, and two notes (No. 1 and No. 2) for \$5,000.00 each.
3. Sold store and lot, No. 184 Main St., for \$7,500.00. Received cash, \$5,000.00; note signed by L. Johnson, \$2,500.00.
4. Bought house and lot in Elgin, Ill., for \$4,000.00. Gave in payment L. Johnson's note, \$2,500.00; cash, \$1,500.00.
5. Settled my account with D. F. Godfrey, \$1,200.00, and my note in his favor, \$3,000.00, by deeding to him my house and lot in Elgin.

**INVENTORY:** Farm valued at cost, \$15,000.00.

Enter the inventory Sept. 30 and close the account with a gain. From what two sales did gains arise? What was the gain in each case? Does the sum of the two gains equal the result of the account? Bring the inventory down dated Oct. 1, and continue Exercise X on the same account.

**EXERCISE X**

<sup>19—</sup>

- Oct. 1. Divided my farm into twenty city lots. Sold five of the lots for cash, \$1,000.00 each.
2. Sold five city lots to H. M. Ashleby at \$1,000.00 each. In payment he returned to me, canceled, my note No. 1 of Sept. 2 for \$5,000.00 in favor of W. M. Carter, which Carter had endorsed to him on Sept. 17.
3. Exchanged five city lots for a house and lot in Aurora, Ill., valued at \$4,500.00. (Two entries.)
6. Redeemed my note No. 2 in favor of W. M. Carter for \$5,000.00 by deeding to him the house and lot in Aurora at \$4,200.00 and one city lot at \$800.00.
7. Sold one city lot for cash, \$800.00.
8. Sold one city lot to G. L. Kane on account, \$850.00.
9. Sold one city lot to C. W. Barnes on his note, \$750.00.

**INVENTORY:** One city lot valued at \$750.00.

Close the account.

What was the gain on real estate for October?

What would have been the gain had we inventoried the remaining lot at \$500.00?

What would have been the gain had we valued the lot at \$1,000.00?

What effect has the valuation of the inventory upon the gain?

What do you think is the proper valuation to place upon property inventoried?

Estimate the profit made on the farm by adding the gains arising from each sale of city lots. Deduct \$300.00 lost on the sale of the house and lot in Aurora, and see if the result agrees with the gain shown by the account.

## MERCHANDISE

"Merchandise" includes those commodities which are bought and sold in a given business for profit.

PURPOSE: To show cost of merchandise and the returns from sales.

**METHOD:** Debit Mdse. for its costs. Credit it for its sales.

RESULT: The difference between the two sides after all Mdse. has been sold, will be a loss or a gain.

### ILLUSTRATIVE EXERCISE:

19—

Sept. 1. Bought of H. O. Critchell, on account, Mdse. invoicing at \$1,460.50.  
2. Sold to W. A. Oliver on account, a bill of goods worth \$75.00.  
3. Received an invoice of Mdse. from C. D. Miller amounting to \$680.40. Gave  
him my note for the amount.  
4. Sold Mdse. for cash, \$47.50.  
5. Sold to C. J. Barber, Mdse. on his note, \$62.50.  
7. Received cash for Mdse., \$25.60.  
8. Gave our note to M. J. Whitney for Mdse. bought of him, \$240.60.

INVENTORY: Mdse. on hand valued at cost, \$2,228.50.

## ILLUSTRATION

## Merchandise

18-		19-			
Sept 1		146050	Sept 2		75
3		68040	4		4750
6		24060	5		6250
30	Grain	5760	7		2560
			30	Inventory	✓ 222050
		243910			243910
Oct 1	Inventory	✓ 222050			

**EXPLANATION OF CLOSING:** It is desired to know the gain on Mdse. sold during September. This cannot be found until we know the cost of goods sold during September. That cost is ascertained in the following way:

The total cost of goods purchased, as shown by the debit side of the account, was \$2,381.50. The cost of the unsold, as ascertained by an actual inventory of goods now in stock, is \$2,228.50. The difference between these two amounts is \$153.00, the cost of the goods sold.

The total sales were \$210.60. The gain is the difference between the total sales, \$210.60, and the cost of the goods sold, \$153.00, or \$57.60 gain.

**PROCESS OF CLOSING:** It is not proper to show a subtraction in bookkeeping, however, so instead of subtracting the Mdse. inventory from the debit side of the merchandise account, it is added to the credit side. This accomplishes the same result. The gain is \$57.60, as shown above.

Bring down the inventory on the opposite side of the same account. The gain is carried to the loss and gain account on the side opposite to that in which it shows on the merchandise account.

This process of closing has been previously illustrated in the real estate account, and is the same for all loss or gain accounts.

#### EXERCISE XI

19—

Nov. 1. Bought of Weir & Co. on account, Mdse. amounting to \$576.50.  
 2. Sold to P. K. Marriott on account, a bill of goods worth \$53.40.  
 3. Sold Mdse. for cash, \$30.35.  
 4. Bought for cash Mdse. invoicing at \$9.75.  
 5. Bought Mdse. from Soule & Co. on account, \$225.67.  
 7. Paid cash for Mdse., \$8.75.  
 8. Sold Mdse. to John Doe on credit, \$15.30.  
 10. Bought from Revillon Frères\* a bill of goods invoicing at \$383.50. Gave our note for the amount.  
 11. Sold H. C. Unger on his note a bill of goods amounting to \$35.60.

**INVENTORY:** Stock on hand valued at \$1,160.00.

What was the total cost of Mdse.?

What was the total of returns on Mdse.?

What was the cost of goods sold during November? The profit?

Enter the inventory, close the account with a loss or gain, bring down the inventory, and continue Exercise XII on the same account.

#### EXERCISE XII

19—

Dec. 1. Bought on our note Mdse. invoicing at \$97.50.  
 2. Paid cash for Mdse., \$16.14.  
 3. Sold Harry Helmer on account Mdse. amounting to \$25.60.  
 4. Bought goods for cash, \$12.25.  
 6. Sold L. M. Hawkinson Mdse. on account, \$8.75.  
 7. Paid cash for Mdse., \$16.25.

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\* Revillon Brothers—French.

Dec. 8. The proprietor took from stock for his private use goods worth \$10.50.  
 (The goods were sold to the proprietor.)  
 10. Sold to S. D. Marshall on account, goods worth \$14.55.  
 11. Sold W. J. Frame on his note, Mdse. billed to him at \$27.50.

**INVENTORY:** Goods on hand amount to \$1,250.00, valued at cost.

What was the total cost of Mdse. for December, including inventory on hand December 1?

What was the total of Mdse. sales for December?

What was the cost of the goods sold?

What was the percentage of profit, based on the cost of goods sold?

Close the account, and in bringing down the inventory Jan. 1, do not fail to write the new year date above the "Jan. 1."

#### THE EXPENSE ACCOUNT

**PURPOSE:** To contain a record of the cost of items commonly classed as expense,\* such as rent, fuel, light, advertising, repairs, etc.

**METHOD:** Debit the expense account for costs. Credit it for returns, if any.

**RESULT:** The difference between the two sides will be a loss.

#### ILLUSTRATIVE EXERCISE:

19—

Sept. 1. Paid cash for one month's rent, \$50.00.  
 2. Paid the janitor cash for services, \$7.50.  
 3. Bought office stationery of the City Book Store, on account, \$12.35.  
 3. Gave the Marvin Safe Co. our 30-day note for a safe for the office, billed to us at \$275.00.  
 5. Paid the gas bill in cash, \$8.60.  
 6. Paid the salaries of the office clerks in cash, \$26.00.  
 8. Bought 1,000 2-cent stamps for cash.  
 9. Sold 100 2-cent stamps to G. N. Holt for cash.  
 10. Secured a rebate of \$0.86 in cash from the Gas Co.  
 11. Bought of the Lehigh Coal Co., on account, one ton of coal for office use, \$3.75.  
 13. Paid \$26.00 in cash for office salaries.

**INVENTORIES, Sept. 30:** Salaries due clerks, \$58.00; postage stamps on hand, \$16.00; coal on hand, \$2.70; safe valued at \$275.00.

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\*Expenditures are of two kinds: Those which do not occasion a loss, and those which do occasion a loss. When Mdse., real estate, etc., cost us, we receive the property, having merely exchanged one asset for another. When rent, fuel, light, etc., cost us, however, a loss has been incurred, called Expense. Expenses, therefore, are expenditures for the carrying on of the business.

## ILLUSTRATION

## Expense

Sept. 1		50	Sept. 9		2
2		750	10		86
3		1235	30	Inventory	✓ 16
3		275	30	Inventory	✓ 270
5		860	30	Inventory	✓ 275
6		26	30	Loss	190 64
8		20			
11		375			
13		26			
30	Inventory	✓ 58			
		487 20			487 20
Oct. 1	Inventory	✓ 16	Oct. 1	Inventory	✓ 58
1	Inventory	✓ 270			
1	Inventory	✓ 275			

How much was paid out for expenses?

What was the total cost of expense for September, including inventories?

What was the amount of returns on the expense account?

What was the amount of returns, including inventories?

What was the net cost of expense for September?

**EXPLANATION:** The rebate on the gas bill and the \$2.00 received from sale of stamps are properly treated as reductions of cost by being entered on the credit side. Note that there are inventories on both sides of the expense account. The unpaid salaries are added to the cost of running the business for the month and the value of the stamps, coal, and safe on hand are deducted by being placed on the credit side. Inventories are listed separately, and brought down separately. The loss is carried to the loss and gain account.

**Note.**—Separate accounts may be kept with Rent, Salaries, Furniture and Fixtures, Insurance, Postage, Advertising, or any other class of expense of which a separate record is desired. In such cases these items would not be included in the expense account, but would be recorded in the special accounts kept for the purpose. The expense account

might in such a case be more properly headed *General Expense*, or *Unclassified Expense*, since it only receives items not entered in some special account. The special accounts would be handled in precisely the same way as the expense account is handled, as described in the foregoing. The loss shown by each one of these accounts might be closed into the expense account instead of into the loss and gain account. The process of closing accounts into the loss and gain account will be described later.

#### EXERCISE XIII

19—

Jan. 1. Paid cash for rent, \$60.00.  
 2. Gave the Aetna Fire Insurance Co. our check for \$75.00 for one year's insurance.  
 3. Paid the drayman for services, \$4.50 in cash.  
 4. Paid the janitor in cash, \$7.50.  
 5. Paid cash for sundry expenses, \$6.94.  
 6. Paid the clerks' salaries in cash, \$25.00.  
 10. Gave our 10-day note to the "Tribune" for advertising, \$15.00.  
 11. Sub-let desk room in our office to John Adams and charged him, on account, \$10.00. (A return to the expense account.)  
 12. Paid cash for postage and stationery, \$5.75.  
 16. Paid the salaries of clerks in cash, \$15.00.  
 20. Paid the plumber's bill for \$16.75 in cash.

INVENTORIES, Jan. 31: Salaries of clerks unpaid, \$30.00; eleven months' insurance unused, \$68.75; stamps unused, \$4.00. Note that one of these inventories increases the expense for the month; two of them decrease it.

#### THE INTEREST ACCOUNT

DEFINITION: Interest is the use of money for which compensation is paid. When we hold another's money, we are receiving the *use* of the money, called *interest*. When we pay for this use, it is a *cost* to us. When others pay for the use of our money, it is a *return* to us.

The expression "paid interest" is not, strictly speaking, a correct one. We do not "pay interest," but we pay *for* interest. Similarly, we do not "pay rent," but we pay *for* the rent or use of the property. Interest is the *use of money*, just as rent is the *use of property*.

PURPOSE: The Interest account should contain a record of the costs to us for the use of other people's money, and of the returns to us from others for their use of our money.

METHOD: Debit Interest for its cost; credit it for its returns.

RESULT: The difference between the two sides is the amount lost or gained on account of interest.

#### ILLUSTRATIVE EXERCISE:

19—

Sept. 1. Received \$5.00 in cash from J. H. Stebbins for the use of money we loaned him.  
 2. J. H. Osborne has returned to us \$100.00, which we loaned him, with \$3.60 additional for interest. (Enter in the interest account the amount of the interest only.)

Sept. 3. Paid \$5.60 cash for interest on money borrowed of the First National Bank.  
 4. G. H. Burton's account is overdue. We have charged him \$15.60 for interest, which he pays by note.  
 15. Paid our note due the First National Bank in cash. Face of the note, \$800.00; interest accrued, \$2.40; total cash paid, \$802.40. (The amount of the interest only, is entered in the interest account.)  
 16. Received cash of G. H. Burton in full of his account and accrued interest. Amount due on account, \$650.00; interest, \$1.47.

INVENTORIES, Sept. 30: Interest due from J. H. Stebbins, \$2.50.

ILLUSTRATION

		Interest					
Sept. 3			560	Sept. 1			5
15			240	2			360
30	Gain		2017	4			1560
				16			147
				30	Inventory	1	250
			2817				2817
Oct. 1	Inventory	✓	250				

What was the total cost of interest?

What were the total returns from interest?

Why was the inventory added to the credit side?

What effect had the inventory upon the amount of the gain?

CLOSING: The inventory is brought down on the opposite side of the same account. The gain is carried to the opposite side of the loss and gain account.

EXERCISE XIV

19—

Feb. 1. Paid cash for interest on our note in favor of the Second National Bank, \$15.00.  
 2. Received cash from Shelby & Co., \$409.60, for their note in our favor, \$400.00, with \$9.60 for interest. (Enter the interest only.)  
 3. Paid in cash our note in favor of Cullom & Co. Face of note, \$200.00; interest, 30 days at 6%, \$1.00; total, \$201.00. (Enter the interest only.)  
 4. The Gary Building & Loan Association sent us a notice that \$13.50 has been credited to our account on their books, for interest.

- Feb. 5. Gave C. D. Jackson our check for \$5.00 for the semi-annual interest on a note which he holds against us.
6. Paid J. Bowen \$101.50 in cash for our note in his favor, \$100.00, plus interest, \$1.50.
6. Redeemed in cash our note in favor of the National Biscuit Co. for \$150.00 with interest amounting to \$2.60.
8. Collected \$100.75 in cash from E. G. Wells for his note in our favor for \$100.00 and 75 cents interest.
9. Our note in favor of W. G. Evans for \$200.00, with \$2.15 accrued for interest, falls due. Gave him a new note for the full amount.
10. Thompson & Clark charged us \$1.75 for interest on our account, which we paid in cash.

INVENTORIES, Feb. 28: Interest accrued on our note in favor of the Second National Bank, \$25.00; on our loan to the Gary Building & Loan Association, \$2.25; on our note in favor of C. D. Jackson, \$0.70. (Two of these inventories increase the cost of interest. The other increases the returns.)

What was the total cost of interest paid for during February?

What was the total loss, including inventories of interest owed by us?

What was the total of returns on interest during February?

What was the total of gains, including inventory of interest due us?

Was the net result of the interest account a loss or gain, and how much?

Bring the inventories down and continue Exercise XV on the same account.

#### EXERCISE XV

19—

- Mar. 1. Paid for interest on note in cash, \$5.25.
2. Paid cash for interest on a bill past due, \$2.16.
3. Received cash for interest on government bonds, \$25.00.
4. H. N. Walker paid us cash, \$102.00, for his note, \$100.00, and interest, \$2.00.
6. Paid our note in favor of A. N. Palmer in cash Face of note, \$50.00; interest, \$1.50; total cash paid, \$51.50.
7. Gave S. W. Jackson our note for \$10.64 for interest on money due him.
11. Received a note for \$30.00 for interest on a mortgage.
12. Received Sam'l Jones' check for \$4.50 for interest on money loaned him.
14. Paid cash to the Second National Bank for our note, \$1,000.00, and interest, \$33.00.
16. Withdrew from the Gary Building & Loan Association in cash the amount loaned them, \$250.00, and accrued interest, \$3.27.
17. Sold C. D. Jackson Mdse. amounting to \$250.00, receiving in exchange our note for \$200.00, with interest accrued amounting to \$2.70, and cash for balance.

INVENTORY, Mar. 31: Due the Citizens' Bank, \$45.00 for interest on money borrowed.

## THE LOSS AND GAIN ACCOUNT

**PURPOSE:** To contain a record of the separate losses and gains as shown in the various accounts closing with a loss or gain; and to contain any items of loss or gain not classified in any special account.

**METHOD:** Debit Loss and Gain with the separate losses of the business as shown by accounts closing with a loss, and for any losses not entered in any special account. Credit Loss and Gain with the separate gains of the business as shown by accounts closing with a gain, and for any unclassified gains.

**RESULT:** The difference between the two sides will be the net loss or net gain of the business for the period of time since the account was last closed.

## ILLUSTRATIVE EXERCISES:

19-

- Sept. 10. Found in our cash register to-night \$10.00 too much. Entered this in the loss and gain account.
20. Burglars broke in the store last night and took \$24.00 worth of Mdse.
21. T. F. Smith failed to-day. He owed us \$90.00, and as he was able to pay in cash only 60 cents on the dollar, we lost \$36.00.
30. The real estate account for this month shows a gain of \$600.00. (See Illustration of Real Estate.) This is entered in the loss and gain account. As it is a gain, it is placed on the credit side. Note that the black ink entry in the loss and gain account and the red ink entry in the real estate account are on opposite sides. This is always the case.
30. The merchandise account for this month shows a gain of \$57.60. (See Illustration of Merchandise Account.) This amount is entered in the loss and gain account.
30. The expense account for this month shows a loss of \$190.64. (See Illustration of Expense Account.) This amount is closed to the loss and gain account.
30. The interest account for this month shows a gain of \$20.17. (See Illustration of Interest Account.) This amount is closed to the loss and gain account.

## ILLUSTRATION

## Loss &amp; Gain

Sept. 20		24	Sept. 10		10
21		36	30	Real Estate	600
30	Expenses	190.64	30	Mdse.	57.60
30	Proprietor	4.3713	30	Interest	20.17
		687.77			687.77

**EXPLANATION:** This account contains a summary of all losses and gains for the month. The difference between its two sides is a net gain or a net loss, which is placed on the smaller side in red ink at the line of closing. This net gain or net loss is entered in the proprietor's account in black ink on the side opposite that in which it is shown in the loss and gain account in red ink.

**EXERCISE XVI**

19—

- April 16. Found the cash in the cash register to-night to be \$5.00 short.
- 17. W. H. Conklin owed us \$85.00, which we were afraid we could not collect  
We offered to take \$50.00 in full settlement of his account and he paid us \$50.00 in cash.
- 30. The merchandise account for this month shows a gain of \$185.51. (Write the word *Mdse.* in the explanation column.)
- 30. The expense account for this month shows a loss of \$60.75.
- 30. The interest account shows a gain of \$10.63.
- 30. Our advertising account shows a loss of \$22.50.

Close the account, using the explanation *Proprietor* in the closing entry. This shows to what account the net gain is carried.

**THE PROPRIETOR'S ACCOUNT**

**PURPOSE:** To contain a record of the amounts invested by the proprietor and withdrawn by him.

**METHOD:** Credit the proprietor for his investments; debit him for his withdrawals.

**RESULT:** The difference between the two sides will be the amount of the proprietor's interest in the business.

**Note.**—The Proprietor's account is like any other personal account as far as the book-keeping features are concerned. The proprietor is debited for what he costs the business (in withdrawals) and credited for what he produces (by investment).

**ILLUSTRATIVE EXERCISE:**

19—

- Sept. 1. H. M. Strong, the proprietor, invested cash, \$2,000.00.
- 10. H. M. Strong withdrew for personal use *Mdse.* valued at \$7.90.
- 15. H. M. Strong withdrew cash, \$50.00, with which to pay his house rent.
- 20. H. M. Strong made another cash investment, \$1,000.00.
- 30. The gain of the business for September, as shown by the loss and gain account (see Illustration), was \$437.13. Instead of withdrawing this gain, Mr. Strong allowed it to remain in the business, the amount being carried to his account as an addition to his investment.

## ILLUSTRATION

19-		N. M. Strong		19-	
drpt. 10		790	Sept. 1		2000
15		50	20		1000
30	Balance	337923	30	Loss & Gain	43713
		343713			343713
			Oct. 1	Balance	1 337923

**EXPLANATION:** The amount of the gain for the month, taken from the loss and gain account, is entered on the proprietor's account in black ink, the name of the loss and gain account being used as an explanation. The account is then balanced just as is any other personal account. The amount of the balance shows what the business owes Mr. Strong. If the debit side of Mr. Strong's account had been the larger, he would have owed the business, and would be said to have been "insolvent." The balance is brought down below the rulings on the opposite side, in black ink.

## EXERCISE XVII

19-

May 1. T. L. Foster began business to-day with a cash investment of \$3,500.00.  
 1. On starting business Mr. Foster owes G. W. Champion \$465.00, on account, which debt is assumed by the business. (Debit T. L. Foster.)  
 10. Mr. Foster made a further investment of property worth \$2,000.00.  
 12. Mr. Foster withdrew cash, \$20.00.  
 15. Mr. Foster received \$1,364.50 in cash from the maturing of an endowment policy, and invested it in the business.  
 20. Mr. Foster paid his personal grocery bill, \$25.60, from the cash register.  
 31. Mr. Foster's salary of \$200.00 is carried to the credit of his account.  
 31. Mr. Foster's house rent, \$35.00, is paid out of the cash register.  
 31. The gain of the business for the month, \$124.67, is carried to the credit of the proprietor.

Balance his account. Do not forget to bring the balance down.

## CLASSIFICATION OF BOOKS

The books used in any set of books are:

1. Books of Original Entry.
2. Books of Final Entry.
3. Auxiliary Books.

**Books of Original Entry** are the books in which transactions are first recorded, at the time of their occurrence. Entries appear in these books in the order in which the transactions occurred. The book of original entry which you will first study is the journal.

**Books of Final Entry.** The principal book of final entry is the ledger. Transactions

are transferred from the books of original entry to the ledger, where they are arranged in classified order, in accounts.

**Auxiliary Books.** These are books in which are recorded certain additional facts or memorandums which are of interest or importance.

### THE JOURNAL

#### A BOOK OF ORIGINAL ENTRY

**A Business Transaction** is an even exchange of commodities, services, or other things of value. The values of the things exchanged are assumed, by the parties trading, to be equal.

**Double Entry Bookkeeping** is a system by which a record is made of both sides of every exchange. *Equal debits and credits* are recorded for every transaction.

**RULE FOR DEBITING AND CREDITING ACCOUNTS:** Debit that which is received or which costs value. Credit that which is disposed of or which produces returns.

*That which is received* is exactly the same as *that which costs* in every case. This is not always clear to beginners, however. In some cases it is easier for the beginner to answer the question, "What has been received?" In other cases it is easier to answer the question, "What has cost us something?" Whenever either of these questions is answered, the answer is the name of the account to be debited. Similarly, *that which has been disposed of* is the same as *that which produces returns*, and is the thing which is to be credited.

Since that which is received or which costs us, and that which is disposed of or which produces returns are of equal value, the amount or amounts debited will be equal to the amount or amounts credited.

**The Journal.** This is a book of original entry in which are recorded the equal debits and credits arising from transactions. Transactions are recorded in the journal at the time of their occurrence, and hence in the order of their occurrence.

**Journalizing** is the process of determining, by the rule for debiting and crediting accounts, what account is to be debited and what account is to be credited, in each transaction. The items of debit and credit are arranged in the journal in a form convenient for transferring to the ledger.

#### ILLUSTRATIVE EXERCISE:

19—

- Sept. 1. Bought of John Brown for cash, 10 brl. apples at \$2.50, \$25.00.
2. Sold Amos Smith on his note, 6 brl. apples at \$3.10, \$18.60.
3. Bought of James Ransom for cash, 10 brl. flour at \$6.00, \$60.00.
4. Bought of J. Thurman, a house and lot, No. 271 Park Ave., for \$2,500.00.  
Gave him my note in exchange.
5. Sold to Wm. Allen, 361 Church St., on account, 10 brl. apples at \$2.75,  
\$27.50; 5 brl. flour at \$6.60, \$33.00. Total, \$60.50.
7. Bought of W. Parsons for cash, a farm in Henry County for \$4,000.00.

## ILLUSTRATION

September 1, 19-

	Mdse.		25		25
	Cash				
		2			
	Notes Rec.		1860		1860
	Mdse.				
		3			
	Mdse.		60		60
	Cash				
		4			
	Real Estate		2500		2500
	Notes Pay.				
		5			
	W <sup>m</sup> Allen	36, Church St.	6050		6050
	Mdse.				
		6			
	Real Estate		4000		4000
	Cash				
		7			

EXPLANATION: Applying the rule for debiting and crediting accounts to the first transaction, we find that the merchandise account is to be debited \$25.00 and the cash account is to be credited \$25.00. This debit and credit is indicated in the journal entry *by position*. The debit item is written on the first line, the name of the account being written at the extreme left of the wide space, and the amount being written in the left hand column. The credit item is written on the line below, the name of the account being indented to about one and a half inches from the left margin, and the amount being written in the right-hand money column. Sometimes a light line is ruled down the page to show where to write the name of the account credited. (If the wide column is ruled squarely down the middle, do not use this ruling as a guide line, as you need more space for the credit entry.) In any case this margin should be precise. This relative position should never be even slightly varied, as debit and credit are indicated in the journal by position alone.

A single red ruling is made between each transaction and the following one. It is ruled across the wide column.

The date of the transaction is written above the entry in each case, at the center of the ruled line, as shown in the illustration. The narrow columns at the left are allowed to remain blank—their purposes will be explained later. The first date on each page is written out in full, including the month and year. Other dates on the page may be shown by figures only.

When there are more than one debit or more than one credit, they should be shown as in the following illustration.

### ILLUSTRATIVE EXERCISE:

19—

Sept. 1. Sold J. H. Perkins, 680 La Salle St., house and lot, No. 226 Monroe St., for \$3,000.00. Received in payment cash, \$1,000.00, and his note due in two years for \$1,000.00. Charged him \$1,000.00 on account.

4. Bought of Henry Turner, 723 Polk St, 20 brl. flour at \$8.00, \$160.00. Paid him cash, \$60.00; balance on account, \$100.00.

9. Sold R. Snyder 3 shares Illinois Central Railroad stock at \$125.00, \$375.00, and 1 share Union Bank stock, \$200.00. Received in payment his note at 30 days for \$200.00, and cash for balance. (Accounts are kept with *Union Bank Stock* and *I. C. R. R. Stock*.)

## ILLUSTRATION

September 1, 19-

Cash	1000	
Notes Rec.	1000	
J. H. Perkins	600 LaSalle St.	1000
Real Estate		3000
	4	
Mdse.	160	
Cash	60	
Henry Turner	723 Polk St.	100
	9	
Notes Rec.	200	
Cash	375	
Ill. Cent. R.R. Stock		375
Union Bank Stock		200

When recording the first transaction with any person, write the person's address in the journal, just opposite or just beneath the name, in a small, neat hand.

**Transactions to be Journalized**

19—

Jan. 1. Richard A. Strong has this day commenced business with a cash capital of \$2,000.00.

2. Bought of Caldwell & Perkins, 723 S. Clark St., for cash, 150 lb. Elgin creamery butter at 33½¢, \$50.00; 75 lb. maple sugar at 15¢, \$11.25; 25 lb. Royal Ceylon tea at 40¢, \$10.00; 25 lb. Santos coffee at 18¢, \$4.50; 125 doz. eggs at 30¢, \$37.50. Total, \$113.25.

3. Bought of H. C. Harriman, Winona, Minn., on my note at ten days, 50 brl. Ceresota flour at \$5.50, \$275.00; 75 brl. Ben Davis apples at \$1.75, \$131.25; 150 bu. Burbank potatoes at 80¢, \$120.00. Total \$526.25.

4. Sold to J. D. Williamson, 3186 Westminster Ave., for cash, 50 lb. Elgin butter at 35¢, \$17.50; 25 brl. Ceresota flour at \$5.75, \$143.75; 20 brl. Ben Davis apples at \$2.00, \$40.00. Total, \$201.25.

6. Bought of W. N. Furbeck, San Francisco, Cal., for cash, 200 boxes California grapes at 25¢, \$50.00; 50 boxes California navel oranges at \$1.60, \$80.00. Total, \$130.00.

8. Sold to James Duncan, Hammond, Ind., on account, 80 lb. Elgin butter at 40¢, \$32.00; 100 doz. eggs at 32¢, \$32.00; 100 bu. Burbank potatoes at 75¢, \$75.00; 25 brl. apples at \$2.10, \$52.50. Total, \$191.50.

9. Received from James Duncan on account, cash, \$100.00.

10. Bought of E. E. Beaver, 425 S. Water St., 100 boxes California grapes at 40¢, \$40.00; 50 boxes oranges at \$2.00, \$100.00; 250 lb. maple sugar at 20¢, \$50.00; 25 lb. Royal Ceylon tea at 50¢, \$12.50. Total, \$202.50. Gave in payment cash, \$50.00; my note at 30 days for balance, \$152.50.

13. Paid H. C. Harriman for my note of the 3d inst. Face of note, \$526.25. Gave in payment 50 boxes oranges at \$2.25, \$112.50; 100 boxes California grapes at 50¢, \$50.00. Total, \$162.50. Cash for balance, \$363.75.

15. Paid cash for rent of store for the current month, \$50.00. (Debit Expense.)

16. Bought of Washburn-Crosby Co., Minneapolis, Minn., on account, 50 brl. Gold Medal flour at \$5.60, \$280.00. Paid cash for freight on the shipment, \$11.40. (Two entries. The freight is considered a cost to Mdse.)

18. Bought of Diebold Safe & Lock Co., 194 Fifth Ave., on account, a burglar-proof safe for my office, \$100.00. (Debit Furniture & Fixtures.)

20. Received of James Duncan cash, \$75.00, to apply on account. Sold to Thompson & Smith, 443 W. Randolph St., on account, 25 brl. Gold Medal flour at \$6.00, \$150.00; 25 doz. eggs at 44¢, \$11.00; 50 bu. Burbank potatoes at 75¢, \$37.50. Total, \$198.50.

**POSTING TO THE LEDGER OR BOOK OF FINAL ENTRY**

You have learned that all the original entries in the journal are made in the order of their occurrence and that they are later transferred to the ledger or book of final entry,

where they are classified in proper accounts. The process of transferring these items is called *posting*.

The process of posting from the journal to the ledger may be better illustrated than defined. You will therefore journalize the transactions for February and follow closely the instructions for posting.

**Transactions**

19—

Feb. 1. (Student) commenced business this day with a cash capital of \$3,500.00.

2. Bought from Bronson & Baker, 1625 Dearborn Ave., 50 doz. men's linen shirts at \$10.00, \$500.00; 100 doz. ladies' linen handkerchiefs at \$2.50, \$250.00; 2 cases paper cambric, 4,000 yd., at 10¢, \$400.00; 200 yd. bleached cotton at 10¢, \$20.00. Total, \$1,170.00. Gave in payment my note at 9 days for \$600.00; cash for balance, \$570.00.

3. Bought from J. V. Farwell & Co., 148 Market St., on account, 50 yd. Irish linen at 40¢, \$20.00; 100 yd. sheeting at 11¢, \$11.00. Total, \$31.00.

4. Sold to W. O. Thomas, First National Bank Building, on account, 10 doz. men's linen shirts at \$12.00, \$120.00; 5 yd. Irish linen at 50¢, \$2.50. Total, \$122.50.

5. Sold to D. Nugent & Co., St. Louis, on their note at 30 days, 1 case paper cambric, 2,000 yd., at 11¢, \$220.00; 10 doz. ladies' linen handkerchiefs at \$3.00, \$30.00. Total, \$250.00.

7. Bought from Wanamaker & Sons, New York, on my note at 30 days, 1,000 yd. gingham at 10¢, \$100.00; 55 yd. black silk at \$2.75, \$151.25; 100 yd. broadcloth at \$3.75, \$375.00. Total, \$626.25.

9. Sold to G. B. Fairchild, Omaha, on account, 30 yd. black silk at \$3.00, \$90.00; 15 yd. Irish linen at 55¢, \$8.25. Total, \$98.25.

11. Paid Bronson & Baker cash for my note of the 2d inst., \$600.00.

12. Sold to Henry Russell, Milwaukee, Wis., on account, 50 yd. sheeting at 12¢, \$6.00; 200 yd. gingham at 12¢, \$24.00; 10 doz. men's linen shirts at \$12.00, \$120.00. Total, \$150.00.

15. Sold to Chas. W. Harms, 2329 Michigan Ave., for cash, 14 yd. broadcloth at \$4.00, \$56.00; 1 case paper cambric, 2,000 yd. at 12¢, \$240.00. Total, \$296.00. Bought of J. B. Clark, 5711 Wabash Ave., store and lot, No. 185 Lake Street, for \$4,000.00. Gave in payment cash, \$2,000.00; my note at 60 days for \$2,000.00. Total, \$4,000.00.

16. Received cash from W. O. Thomas, on account, \$75.00; also \$50.00 from Henry Russell on account. (Separate entries.)

18. Sold to G. B. Fairchild, Omaha, Neb., on account, 100 yd. bleached cotton at 12¢, \$12.00; 20 doz. men's linen shirts at \$12.50, \$250.00. Total, \$262.00.

19. Received from Henry Russell, Milwaukee, his note at 30 days to cover his account, \$100.00.

20. Sold to F. E. Arnold, 1801 Michigan Ave., 20 yd. Irish linen at 50¢, \$10.00; 800 yd. gingham at 12¢, \$96.00; 16 yd. broadcloth at \$4.00, \$64.00. Total, \$170.00.

Feb. 22. Received of G. B. Fairchild, on account, cash, \$125.00; his note at 31 days for \$200.00. Total, \$325.00.

23. Paid taxes on store and lot No. 1317 State St., for current year, in cash, \$18.30. (Debit Expense.)

24. Received cash of W. O. Thomas, on account, \$45.00.

25. Sold to Henry Russell, on account, 50 yd. sheeting at 13¢, \$6.50; 50 doz. ladies' linen handkerchiefs at \$3.00, \$150.00. Total, \$156.50.

26. Received cash of F. E. Arnold, on his account, \$100.00. Paid Wanamaker & Sons cash on my note of the 7th inst., \$450.00.

27. Sold to W. O. Thomas, on account, 10 doz. men's linen shirts at \$12.00, \$120.00.

28. Paid cash to L. H. Carter for 2 tons of coal for use in the store, at \$6.50 per ton, \$13.00. Received of D. Nugent & Co., cash on their note of the 5th inst., \$150.00. Received cash of the following persons on account: G. B. Fairchild, \$20.00; F. E. Arnold, \$40.00; W. O. Thomas, \$50.00. Paid cash for the following expenses: Clerks' wages to date, \$60.00; gas bill for the month, \$10.80; advertising in the "Times," \$12.00. Total, \$82.80.

Open accounts in the ledger as follows, allowing for each account one line for the heading, one line for the ruling, and for the entries the number of lines indicated below:

Page 1. Student (your name), 5 lines; Merchandise, 13 lines; Real Estate, 5 lines; Expense, 5 lines. Page 2. Cash, 14 lines; Notes Receivable, 5 lines; W. O. Thomas, 5 lines; G. B. Fairchild 5 lines. Page 3. Henry Russell, 5 lines; F. E. Arnold, 5 lines; Notes Payable, 5 lines; J. V. Farwell & Co., 5 lines.

In opening accounts with persons, write the address on the double-ruled line just below the name. Write in a small, neat hand, far enough toward the right side to leave room for the year date of the credit side.

The first transaction in the journal is:

FEBRUARY 1, 19—					Page 1	
	Folio	Debit Account	Credit Account		Debit Amo unt	Credit Amo unt
		Cash	Student		3500 00	3500 00

Note that the Folio column is left blank at the time of making the entry.

#### Posting

The first item in the first transaction is Cash Dr. \$3,500.00. Enter this amount in the cash account on page 2, on the debit side. Write the date in the date column and the amount in the money column, as instructed in working the cash account on page 6.

In the explanation column in the ledger write the name of the account credited in the same transaction. (In this case, the student's account. The explanation would, therefore, be the student's name.)

In the folio column in the ledger write the journal page from which the entry was transferred (1).

In the folio column of the journal write the ledger page to which the entry was transferred (2).

Post the credit side of the same transaction. Enter the credit in the student's account, writing the date in the date column, the word "Cash" (the name of the account debited) in the explanatory column, the journal page (1) in the folio column, and the amount in the money column, all on the credit side, of course. Then enter the ledger page on which the student's account appears (1) in the folio column of the journal.

When the first transaction has been posted, the cash account and student's account in the ledger will look like these:

CASH							Page 2	
19—								
Feb.	1	Student		1	3500			
STUDENT							Page 1	
						Feb.	1	Cash
							1	3500

The folio column in the journal will contain the figure 2 opposite the word "Cash," and the figure 1 opposite the word "Student."

Post the second transaction in the same way. Debit the merchandise account \$1,170.00, writing in the explanation column the words "Cash & Notes Pay." (the names of the credit items). Write the journal page in the folio column of the ledger, and the ledger page in the folio column of the journal. Post the \$600.00 to the credit side of the notes payable account and the \$570.00 to the credit side of the cash account, using the explanation "Mdse." in each case. Always write the journal page in the ledger and the ledger page in the journal in the folio column, opposite the item, at the exact time of posting.

Note that the explanation used in the ledger is always the name or names of the account or accounts affected on the other side of the transaction. If there are too many of such names to write in the small space allotted, use the word "Sundries," which means "Several."

Do not fail to put the page numbers in the folio columns at the precise time of posting. These page numbers not only serve as references from one book to the other, to be used in tracing items from the journal to the ledger or *vice versa*, but they have another purpose which is quite as important: The entering of the page shows that the transaction has been posted, and great caution should be taken to enter it at the precise moment the posting is done, in order to prevent error. For if the bookkeeper should put down his page mark in the journal in advance, intending to make his entry later, he might forget, and the posting would be omitted. On the other hand, if the bookkeeper should post all his entries, intending to put his page marks in later, he would never know what had been posted and what had not been, and might either omit an item or get one posted twice. *Leave nothing to memory.* Enter the pages in both journal and ledger at the precise moment the posting is done. Do not ignore this instruction. Neglect of this causes bookkeepers and bookkeeping students more trouble than any one thing pertaining to the detail of bookkeeping.

Post the rest of the transactions.

**THE TRIAL BALANCE**

In every transaction there has been an even exchange. There have been equal debits and credits in the journal for every transaction. The debits posted to the ledger have, therefore, exactly equalled the credits posted to the ledger. It follows that the total debits must equal the total credits, if no mistake has been made.

The trial balance is a list of the ledger accounts and the total debits and credits of each, prepared for the purpose of ascertaining whether the total of the debits actually equals the total of the credits. If it does, the ledger is said to be "in balance."

*Trial Balance, Feb. 28, 19-*

1	Student					3500	
1	Mdse.			1827	25	1625	25
1	Real Estate			40	77		
1	Expense			???	??		
2	Cash			???		???	??
2	Notes Rec.			???		???	
2	W. O. Thomas			???	??	???	
2	G. B. Fairchild & Co.			???	??	???	
3	Henry Russell			???	??	???	
3	F. E. Arnold			???		???	
3	Notes Pay.			???		???	??
3	J. V. Farwell & Co.						
				22222222	22222222		

The above trial balance is taken from the ledger footings after the transactions for February have been posted and before any accounts are closed. The amounts are to be ascertained by you.

Add the debit side and the credit side of each account in the ledger. Place the footings in the money columns, in small, neat lead-pencil figures close to the last figure in the column in each case. Then make a list of the accounts, under the heading "Trial Balance, Feb. 28, 19—," writing the total debits and total credits opposite each account in the list. In the Folio column, place the ledger pages on which the accounts appear. Rule a single red line under the last item in the trial balance, and foot the columns. The footings of the two sides should be equal. Rule a double red line under the footings.

If the debit and credit totals in the trial balance are not equal, some mistake has been made. The mistake may be in addition; it may be in posting. You must find it.

To find your error, proceed as follows:

Add the trial balance again. If you find your addition to be correct, compare the amounts in the trial balance with the lead-pencil footings in your ledger. As you find each amount to have been correctly entered in the trial balance, and on the proper side, place a neat check mark (✓) opposite the amount in the trial balance and another opposite the footing in the ledger. The mistake still remaining undiscovered, add your ledger columns again carefully, adding downward if you added upward the first time. Then check all debit items in the ledger against debit items in the journal, placing check marks opposite each entry in the ledger and in the journal as you find them to agree. Then check all credit items in the ledger against corresponding credit items in the journal. This checking should be done backward, from the ledger to the journal, not from the journal to the ledger. Last, inspect all transactions in the journal, to be sure the debits and credits in each transaction are equal. Inspect the ledger, journal, and trial balance to be sure that everything is checked and nothing checked twice.

The advantage of this plan of checking is that you have gone over every step of your work in posting and addition in an order reverse from that in which the work was done. If the checking has been carefully done, you have discovered the mistake.

When you have secured a trial balance, hand in your work. Do not attempt to close any accounts at this time.

**TEACHERS' NOTE.**—Additional practice in journalizing is provided for in the exercises on accounts. If it seems desirable, require the students to journalize the transactions in these exercises, using loose sheets of journal paper for the purpose. The additional practice thus secured will be of great value to them, as they cannot be too well grounded in journalizing. Even if their work in journalizing has been well done thus far, they have probably had to *study it very carefully and work slowly*. They ought to be able, before proceeding further, to journalize *rapidly without error*. When journalizing transactions has become almost second nature to them, their minds can be free to grasp the meaning and use of the business papers which will be introduced in Chapter II, and free to grapple with the more difficult problems in accounting which they will encounter.

**REVIEW QUESTIONS.** 1. What is bookkeeping? 2. What is its purpose? 3. What is meant by the "condition" of the business, and how is it shown? 4. The "progress" of the business? 5. Name 5 accounts which exhibit condition. 6. Name 4 which exhibit progress. 7. What is the ledger? 8. What is the purpose of the cash account? 9. The method of debiting and crediting it? 10. The result shown? 11. How is the account closed? 12. What is a promissory note? 13. Name the parties to a note and give definitions. 14. What is an endorsement? 15. What is the purpose of an endorsement of a note? 16. Name the parties to an endorsement and give definitions. 17. When is a promissory note a "note receivable"? 18. When is it a "note payable"? 19. Answer questions 8, 9, 10, and 11 as applied to the notes receivable account. 20. Answer questions 8, 9, 10, and 11 as applied to the notes payable account. 21. Answer questions 8, 9, 10, and 11 as applied to personal accounts. 22. What is an inventory? 23. Answer questions 8, 9, 10, and 11 as applied to the real estate account. 24. What is done with the two red ink entries of an account closing with an inventory and a loss or gain? 25. What is merchandise? 26. Answer questions 8, 9, 10, and 11 as applied to the Mdse account. 27. What are expenses? 28. Answer questions 8, 9, 10, and 11 as applied to the expense account. 29. What is interest? 30. Answer questions 8, 9, 10, and 11 as applied to the interest account. 31. When is an inventory placed upon the debit side of an account? When upon the credit side? 32. Answer questions 8, 9, 10, and 11 as applied to the Loss & Gain account. 33. Answer questions 8, 9, 10, and 11 as applied to the proprietor's account. 34. What are books of original entry? 35. What are books of final entry? 36. What are auxiliary books? 37. What is meant by "a business transaction"? 38. What is double entry bookkeeping? 39. Give the general rule for debiting and crediting accounts. 40. What is the journal? 41. What is journalizing? 42. How are debits and credits indicated in the journal? 43. When should an address be written in the journal? 44. Why are entries transferred from the journal to the ledger? 45. What is the process of transferring entries from the journal to the ledger called? Describe it. 46. What is the trial balance? 47. How do you proceed to find errors in posting?

CHAPTER II

**PRACTICAL OFFICE WORK AND BOOKKEEPING**

**THE STUDENT AS BOOKKEEPER**

**BUSINESS FOR JANUARY, 19—**

January 1, 19—. D. B. Stewart has today engaged in the flour and feed business at 377 Adams St., Chicago, Ill. You have been installed as bookkeeper and cashier at a salary of \$20.00 per week.

You are *bookkeeper and cashier* because you are to have charge not only of the books, but of the cash as it is received and paid out. You are to look to Mr. Stewart, however, for authority to pay out cash; and Mr. Stewart will sign all checks.

**Transaction No. 1**

Mr. Stewart hands you \$10,100.00 in cash, which he wishes to invest in the business. The cash will be found in the envelope marked "Currency," which accompanies your outfit. Take from it one \$100.00 bill and a slip marked, "This slip represents \$10,000.00 in cash."

**Bookkeeping.** Journalize the transaction and make your first journal entry, following it by a complete explanation, as shown in the illustration.

**JOURNAL ENTRY WITH EXPLANATION**

*January 1, 19—*

	<i>Cash</i>				
	<i>D. B. Stewart (Proprietor)</i> <i>D. B. Stewart has this day engaged in the flour and feed business at 377 Adams St., Chicago, Ill., and has invested cash as above</i>	<i>10100</i>		<i>10100</i>	

**Note.** In the preliminary chapter on accounts and journalizing nothing was said about the explanation. This explanation should follow every journal entry and should always be full and complete. No fault of bookkeepers causes greater confusion and more misunderstandings than that of making journal explanations which are not complete or are not clear. Leave nothing to the memory or the imagination.

Explanations should be worded in every case so as to show our side of the transaction. When we buy Mdse. of Smith, the explanation should read "Bought." When Jones pays us, the explanation should be "Received." And so on.

Erasures in the journal are positively forbidden. In the absence of instructions, apply to your teacher in case of an error. Strive not to make errors. Be neat and orderly in

everything pertaining to your work and you will thus greatly diminish the chances of error. Be sure that you know what is to be debited and what is to be credited before you make an entry. If in doubt, write your entry out on a separate slip of paper and show it to your teacher for approval before writing it in your journal.

**Filing.** Accompanying your outfit you will find a filing device consisting of a number of sections, each marked to show what it should contain. One of these sections is marked "Cash Register." Place in it the \$10,100.00.

**Legal point.** The journal is the only book of original entry used this month. It is the book in which entry is made in the first place—at the time of the transaction in each case. It is therefore the only book which will be received in evidence in a suit at law, because the law refuses to accept books in which entries were made subsequent to the transactions, or books to which transactions have been transferred, if a book of original entry can be secured. This, it will be seen, furnishes one good reason why erasures in the journal are forbidden—an entry which has been erased and patched up would, of course, not be acceptable as evidence.

**The Day Book.** The old-fashioned way was to make memorandums of all transactions in a "Day Book" in the order of their occurrence, afterwards making the required entries in the journal and other books, from which posting could be made to the ledger. This necessitated an additional step in the bookkeeping. The explanatory journal combines the old-fashioned day book and journal and saves time. Some bookkeepers still cling to the day book.

#### Transaction No. 2

January 1. Mr. Stewart has made arrangements to open a checking account with the Merchants Exchange Bank. He instructs you to deposit \$10,000.00.

**Business point.** It is not prudent to keep a large sum of money in your cash register. The bank is the proper place to keep all funds beyond what cash is necessary for making change. Nearly all business firms deposit every day. The bank becomes responsible for the funds in its possession and will pay them out as you order by your checks.

#### Merchants Exchange Bank

For Account of	
<u>D. B. Stewart</u>	
<u>Jan. 1, 19—</u>	
Currency.	10 000
Coin,	
Checks,	

**Procedure.** Fill out a deposit slip like the one here shown, a pad of which has been secured at the bank. Present the slip and the \$10,000.00 to the receiving teller at the bank. He will furnish you with a bank pass-book, in which he has entered the amount of your deposit. He will also furnish you with a check-book. You will keep both the pass-book and the check-book.

The Bank is glad to furnish deposit slips, check-books and pass-books to its customers free of charge. You will find all these things among the supplies furnished you with this set.

**Filing.** The deposit slip and the \$10,000.00 are to be placed in the outgoing papers section of the file. This corresponds to leaving them at the bank.

**Teacher's Note.** If your school has no bank, appoint some student as banker. Instructions given in the text will show him how to receive the deposits,

and make the pass-book entries. Some teachers prefer to authorize each student to act as his own banker, but this is confusing to the pupil, if not positively dangerous. No teacher should do this without being extremely careful to impress upon the student the fact that he is not acting for himself, but for another, in doing the work.

**Bookkeeping.** No entry is required in the books for this transaction. Cash in the bank is considered as on hand just the same as if it were in the cash register. In order to know the amount of cash on hand at any time it is necessary to add the amount in the bank to the amount in the cash drawer. Just now, \$10,000.00 is in the bank, and \$100.00 is in the cash drawer, making a total of \$10,100.00, as shown by the cash account. Whenever cash is paid out of the cash drawer, or drawn out of the bank by check, cash is credited.

**Legal and Business Points.** Banks are glad to receive deposits. The money so deposited is used by the bank in its business, and as an important part of its business is that of making loans at interest, it is amply repaid for its trouble in receiving deposits, caring for the money and paying the checks, by the interest it is able to earn on the balances remaining in the bank. Large depositors can demand and obtain interest on deposits left in the bank for a considerable time, though most banks will not pay interest on accounts against which checks are drawn from time to time. Mr. Stewart is not to receive interest, as he plans to check against his account.

Some banks in large cities do not wish to be bothered with small accounts and will not accept them.

### THE PASS-BOOK

The cover of the bank pass-book reads:

Merchants Exchange Bank	
of	
In account with	

In the first blank line write the name of your city. In the second blank line write the name D. B. Stewart. In the lower left-hand corner of the cover write your name and write the name of your school immediately below it.

When the receiving teller of the bank has entered your deposit in the pass-book, it will appear as shown in the illustration below.

### Merchants Exchange Bank In Acc't With D. B. Stewart

19—		
Jan. 1	Deposit.	10000

**Note.** The entry in the pass-book constitutes the bank's receipt for the money. The purpose of the pass-book is to contain a list of these receipts as deposits are made.

When Mr. Stewart made his arrangements with the bank he was required to leave his signature at the bank. No other signature will be honored on a check. You are to make out the checks and take them to Mr. Stewart (represented by your teacher) for his signature.

At the option of the teacher, the student may be allowed to sign the checks himself, thus: "D. B. Stewart, by (student's name)." This will save time, but is not as good a practice. Most banks would require a written authorization, called *Power of Attorney*, before honoring checks so signed. The *Power of Attorney* gives the employee power, as attorney for the employer, to do the thing or things specified in it.

### THE CHECK-BOOK STUB

You are to keep a record of transactions with the bank on the check-book stub.

Your first entry on the check-book stub will be, "Deposit, Jan. 1, 19—, \$10,000.00," as shown in the illustration on page 42.

#### Transaction No. 3

January 1. A cash register has been delivered to-day by the National Cash Register Company.

Mr. Stewart has examined the cash register and found it to be in perfect condition, and the invoice correct as to amount and terms. He has therefore placed his "O. K." upon the invoice in the lower left-hand corner, thus: "O. K.—D. B. S." He hands you the invoice.

The invoice will be found in the pad of incoming papers. It is the first paper that has been received and will be the top paper in the pad (Incoming Paper No. 1). Detach the invoice from the pad.

Observe that the terms on which the cash register was sold are "Note 30 days." You will, therefore, detach a note from the pad of blank notes, after filling it out properly, and present it for signature to Mr. Stewart. Turn to page 9 for instructions as to filling out a note. This one does not bear interest. Make it payable at "my office." Mr. Stewart will sign the note. [Your teacher will sign Mr. Stewart's name or authorize you to sign "D. B. Stewart, by (your initials)."]

Before detaching the note from its stub, fill out on the stub a record showing the number of the note, to whom and for what it was issued, its date, the length of time it is to run, the due date, and the amount.

**Bookkeeping.** Make the journal entry, charging the amount to "Furniture and Fixtures." When you open your ledger, an account will be opened under this title, which will be debited with the cost of all furniture and fixtures.

Your explanation in the journal should be, "Bought of the National Cash Register Co. on our 30-day note, one cash register No. 350-C. Their invoice No. 235." This last refers to the invoice number which the National Cash Register Co. has placed upon the bill in the upper left-hand corner.

**Filing.** Pin or otherwise attach the note to the invoice, and mail the two by placing them in the outgoing papers section. If you use a pin, be sure that its point is hidden between the two papers, so that it will not prick the fingers of one opening the envelope.

**Business Note.** It is customary for business houses to number serially their invoices of goods sold. This is a means of quickly identifying a bill and furnishes a convenient reference. In correspondence a bill is referred to as "Invoice No. —." This fully describes the bill without a long enumeration of date, items, etc. Mr. Stewart expects you to employ a similar system of numbering invoices when goods are sold.

**Note.** The bookkeeping entry should always be made before the papers used in the transaction are filed, as the papers not only contain the information necessary for the entry, but serve as a reminder that the entry has not been made. Always make the journal entry at once, if possible.

**Business Point.** Do not underestimate the importance of filing all papers promptly and systematically. The difference between a good bookkeeper and an incompetent one often lies in the ability of the former to find quickly any document he wants.

## Transaction No. 4

January 1. Mr. Stewart hands you an invoice of furniture and fixtures which he has to-day received and O. K.'d (Incoming Paper No. 2 in the pad of incoming papers).

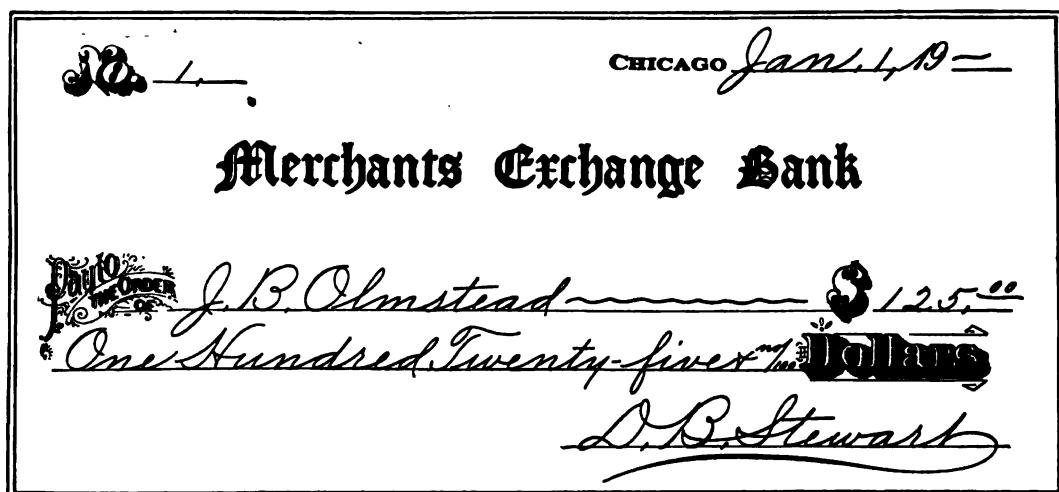
Observe that the terms of this bill are "On account." You will, therefore, make a journal entry crediting The Macey Co., 82 Wabash Ave., Chicago, Ill., and file the invoice in the section marked, "Invoices Payable." In your journal entry refer to the invoice as "Their No. 2457."

## Transaction No. 5

January 1. Mr. Stewart asks you to make out a check for \$125.00, for the rent of the store for January. The check is payable to J. B. Olmstead, the owner of the building.

Make out the check, all except the signature, as shown in the illustration, and hand it to D. B. Stewart (represented by your teacher) for his signature. (Your teacher will give instructions as to how this signature is to be secured.)

## FORM OF CHECK



**Explanation.** The above check is No. 1. Succeeding checks will be numbered in the order in which they are drawn. The next will be No. 2, etc.

The amount is written both in figures and words, as a safeguard against mistakes. Note that the three words in "One Hundred Twenty-five" are each capitalized. "Twenty-five" is a compound word. Note that the "&" is placed between the dollars and the cents. It must always be placed there. "No/100" means "no cents." "Twenty cents" would be written "20/100."

Be careful to begin the written amount at the extreme left of the blank line, and to fill up all unused spaces after the amount in writing, the amount in figures, and the name. This may be done with ruled lines, or with wavy lines with the pen, as in the illustration. Thus you may prevent tampering with the check.

**Legal Point.** In case there is a difference between the amount written in words and the amount expressed in figures, the written amount will be considered correct.

**The Check-book Stub.** The balance of Mr. Stewart's account with the bank should always be exhibited on the check-book stub.

<i>Deposit, Jan. 1, 19—</i>		<i>10000.00</i>	
No.	<i>1</i>		
Date	<i>Jan. 1.</i>	<i>19—</i>	
In favor of			
	<i>J. B. Olmstead</i>		
On what account			
	<i>Rent for Jan.</i>		
\$	<i>125.00</i>	<i>125.00</i>	
		<i>9875.00</i>	
No.	<i>2</i>		
Date	<i>Jan. 1.</i>	<i>19—</i>	
In favor of			
	<i>Pillsbury Washburn Co.</i>		
On what account			
	<i>Invoice # 2346</i>		
\$	<i>1127.50</i>	<i>1127.50</i>	
		<i>8747.50</i>	

This is done by adding the amount of each deposit to the previous balance, and subtracting the amount of each check. The balance before Check No. 1 was drawn was \$10,000.00. From this the amount of Check No. 1 is subtracted. Write in the proper blank spaces on the stub the number and date of the check, the name of the person to whom it was issued, the purpose for which it was issued, and the amount. Carry the amount out into the main column and subtract it from the balance. This should be done before the check is torn out of the book. The illustration shows the stub for the first two checks.

The balance at the bottom of the first stub should be written at the top of the next stub, the balance at the bottom of the second stub carried to the top of the third, and so on.

To tear off check No. 1, hold a sharp rule firmly against the paper at the line showing where to tear, and tear quickly with an upward motion. Learn to do this neatly before attempting to tear the check off.

**The Lease.** The agreement between Mr. Stewart, the renter, and Mr. Olmstead, the landlord, was put in written form. This written agreement is called a lease. Mr.

Stewart hands you the lease, and asks you to file it. He requests you to read it carefully before you file it, so that you will know what the agreement is, and to "brief" it.

You will find the lease among the miscellaneous papers accompanying your outfit.

#### Questions on the Lease:

Who is the party of the first part?

Who is the party of the second part?

What is the length of the lease?

When and in what amounts is the rent to be paid?

If Mr. Stewart should vacate the premises at the end of the sixth month, would he be required to pay rent for the remaining six months?

If Mr. Olmstead should in the above case rent the property to another party after it had been vacant thirty days, for how much could he hold Mr. Stewart?

May Mr. Stewart rent office room to another party?

Mr. Stewart allowed heavy trucks to be dragged across the floor and damaged it. Who is responsible according to the terms of the lease?

At the end of the year the wall paper is soiled and the painting worn off of the wood work in spots. Can Mr. Stewart be compelled to repaper and repaint the interior?

**"Briefing" the Lease.** By this is meant writing on the back of the paper in a concise, brief form, the nature of its contents. On the back of the lease you will find a printed form which is to be filled in with this information. When you have filled it in, it will read as shown in the illustration.

Fold the lease so that the briefing on the back will be on the outside when it is folded. File the lease in the section marked "Miscellaneous Incoming Papers."

**Business Point.** It is usual and best to have the lease drawn up in proper form before the building is occupied. But in this case Mr. Stewart took possession first, and the lease followed as a matter of form. A verbal agreement without the formality of a written lease would be binding in most states for any length of time less than one year. It is better in any case, however, to have a written lease, thus avoiding misunderstandings and disputes.

**Bookkeeping.** Journalize the entry. (Cash is paid out for Expense.) Be sure that your journal explanation shows that the payment was for the January rent. A sufficient explanation would be, "Paid rent for Jan., 19—, by Ck. No. 1." Rule a single red line beneath the explanation.

**Filing.** Deliver the check to Mr. Olmstead by filing it in the section marked "Outgoing Papers." Mr. Olmstead gives you a receipt (Paper No. 3 in the pad of incoming papers). Examine the receipt to see that it is properly made out and file it in the section marked "Receipts."

The National Cash Register Co. has returned the invoice paid today, receipted. That is, with the words, "Paid by note Jan. 1, 19—, National Cash Register Co., by A. B." written on the bottom of the bill. You may take this paper from the outgoing papers file, have the notation made on the bottom (by your teacher or someone authorized by him to act for the National Cash Register Co.), and file it in the section marked "Receipts." Leave the note in the outgoing papers section.

#### Transaction No. 6

January 1. Mr. Stewart hands you an invoice for goods received today from the Pillsbury-Washburn Flour Mills Co., 135 Adams St., City. (This is Paper No. 4 in the pad of incoming papers.) Mr. Stewart has O.K.'d the invoice. He instructs you to look for this O. K. on every bill before making any payment or any entry on your books. Verify the multiplications and addition of the bill.

LEASE	
<i>J. B. Olmstead</i>	To
<i>D. B. Stewart</i>	
From <u>January 1</u> 19 <u>—</u>	
To <u>December 31</u> 19 <u>—</u>	

The terms of the invoice are "Net Cash." This means you are to pay the bill at once in cash without deduction. Write out a check for the amount, and hand it to Mr. Stewart (your teacher) for his signature, or sign it yourself, as your teacher may direct.

**Bookkeeping.** Journalize the entry. You need not itemize the bill in the explanation, because the invoice itself contains a detailed list of the items purchased. Pillsbury-Washburn Co.'s number (No. 2346) will be found in the upper right-hand corner of the bill, and your journal explanation should refer to their number and date, thus: "Their No. 2346, dated Jan. 1." A sufficient explanation of this transaction would be: "Bought of Pillsbury-Washburn Flour Mills Co., 135 Adams St., City, their invoice No. 2346, dated Jan. 1, 19—. Paid net cash by our check No. 2."

**Filing.** Pin or otherwise attach the check to the invoice and mail the two to the Pillsbury-Washburn Co., by placing them with the outgoing papers.

**Business Point.** The Pillsbury-Washburn Co.'s mills are located at Minneapolis, Minn., but Mr. Stewart transacts all his business with them through their local office. It is customary for large houses to have local offices in all important cities. These offices usually have on hand a stock of merchandise. The local office is in a better position to get the business than the main office, can fill orders with less delay, and can make collections more readily.

**Transaction No. 7**

January 2. A sale is made to the Boston Bakery Co., 1220 S. Clark St., on account, of 10 bbl. Best Baker's Patent Flour, at \$5.75.

**Billing.** Detach one invoice from the pad of blank invoices, and fill it out as shown in the following illustration:

All bills due in New York or Chicago Exchange. Claims for Shortage on this bill must be made on receipt of goods.

No. 1 CHICAGO, Jan. 2, 19—  
The Boston Bakery Co.  
1220 S. Clark St. City.  
TO **D. B. STEWART, DR.**

Terms On a/c

## **FLOUR and FEED**

377 ADAMS STREET

10 lbs Best Baker's Patent Flour at 5<sup>7</sup>/<sub>16</sub> 57 50

**Business Point.** The bill is to accompany the merchandise. A bill or invoice, containing an itemized list of goods sold, should always be made out for goods sold on account, and handed or mailed to the customer at the time of the sale. Some houses even make out bills for cash sales, especially when the goods are to be delivered.

Note that the model invoice is numbered "1." The next invoice you make out will be No. 2, and so on.

**Bookkeeping.** Make a journal entry for this sale, itemizing the goods sold. Write the address of The Boston Bakery Co. in the journal explanation. This address must appear in the ledger when you open the account later.

**Filing.** Mail the bill by placing it in the outgoing papers section.

The Pillsbury-Washburn Co. has returned the invoice which we paid on January 1, marked "Received payment, Jan. 1, 19—. Pillsbury-Washburn Flour Mills Co., per A. B." Take it out of the outgoing papers section, have it receipted, as above, for the Pillsbury-Washburn Co., and file it in the section marked "Receipts."

#### Transaction No. 8

January 3. We sell to H. E. Brown, for cash, 5 brl. Pillsbury's Best flour at \$6.80.

The cash will be found in the "Currency" envelope. No bill will be made out, because the sale was made for cash to a person who has no account on our books.

**Bookkeeping.** Make the journal entry, making note of the quantity and price of the goods sold.

**Filing.** Place the cash in the "Cash Register."

#### Transaction No. 9

January 3. Mr. Stewart has bought 1,000 bushels of oats from the American Milling Co., 179 La Salle St. He now hands you the invoice, which he has O.K.'d, asking you to pay it by check.

The bill will be found in the pad of incoming papers (No. 5.) The check will be your Check No. 3.

**Bookkeeping.** Make the entry in the journal. As this is the first entry on page 2 of the journal, write the date out in full at the top of the page. Number the pages of the journal, writing the numbers on the line opposite the date and near the outside edge of the page.

**Filing.** Mail bill and check by placing them in the outgoing papers section of the file.

**Legal and Business Points.** Checks are orders on the bank to pay a given sum of money to the person or firm named therein. The person drawing the check must, of course, have funds on deposit at the bank. The bank will pay the check and charge the amount against the account of the person drawing.

The person signing the check is called the "drawer" (in this case, D. B. Stewart). The person or firm in whose favor the check is drawn (in this case, the American Milling Co.) is the "payee." The bank is called the "drawee."

#### Transaction No. 10

January 3. A sale is made to the Austin Livery Co., Austin, Ill., on account, of 100 bu. Standard oats at 65 cents.

Make out an invoice (our No. 2). As a matter of your own convenience, you may now number your blank invoices up to No. 23. Then you will not have to look up the number of the last invoice whenever you wish to number a new one.

**Bookkeeping.** Make the journal entry. Be sure to write the address of the Austin Livery Co. in the entry. (See form on page 29.)

**Filing.** File the bill in the outgoing papers section.

#### Transaction No. 11

January 3. This being Saturday night, Mr. Stewart pays you your salary for three days in cash, \$10.00. Make a journal entry. Take the cash out of the cash register. Place it in the outgoing papers section.

#### Transaction No. 12

January 5. We are presented by A. C. McClurg & Co. with a bill for office books and stationery bought of them by Mr. Stewart and delivered to-day.

**Pay** this bill in cash, taking the cash from the "Cash Register."

McClurg & Co.'s bill will be found in the pad of incoming papers (No. 6). It is marked "Paid Jan. 5, 19—. A. C. McClurg & Co., by W. L. R."

**Bookkeeping.** Make the entry in the journal, charging Expense.

**Filing.** File the bill with the receipts. Place the outgoing cash in the outgoing papers section of the file.

The American Milling Co. has received and returned the invoice for which we sent a check Saturday. Take the invoice out of the outgoing papers section, have the receipt written at the bottom for the American Milling Co., and file the paper in the section marked "Receipts."

#### Transaction No. 13

January 7. We have sold to-day for cash to D. R. Francis, 3940 Lake St., 25 brl. Lincoln flour at \$5.25. Mr. Francis asks for a receipted bill.

Make out a bill, terms, "Net cash." Write a receipt at the bottom of the bill, dating it.

The cash received is in the form of a check, which you will find in the pad of incoming papers (No. 7). Examine it carefully to see that it is made out to D. B. Stewart, that the date and amount are correct, and that it is properly signed.

**Bookkeeping.** Make the journal entry.

**Filing.** File the check in the "Cash Register."

**Note.** Checks received are always regarded as cash, because they are orders on a bank for money which can be obtained at once.

#### Transaction No. 14

January 7. Mr. Stewart instructs you to deposit the check just received and \$100.00 in cash. See transaction No. 2 for the proper procedure in making a deposit. List the amount of currency and the amount of the check separately. Rule a line at the bottom of the deposit slip and write the total. On the horizontal line opposite the word "checks," place the initials of the drawer of the check, "D. R. F."

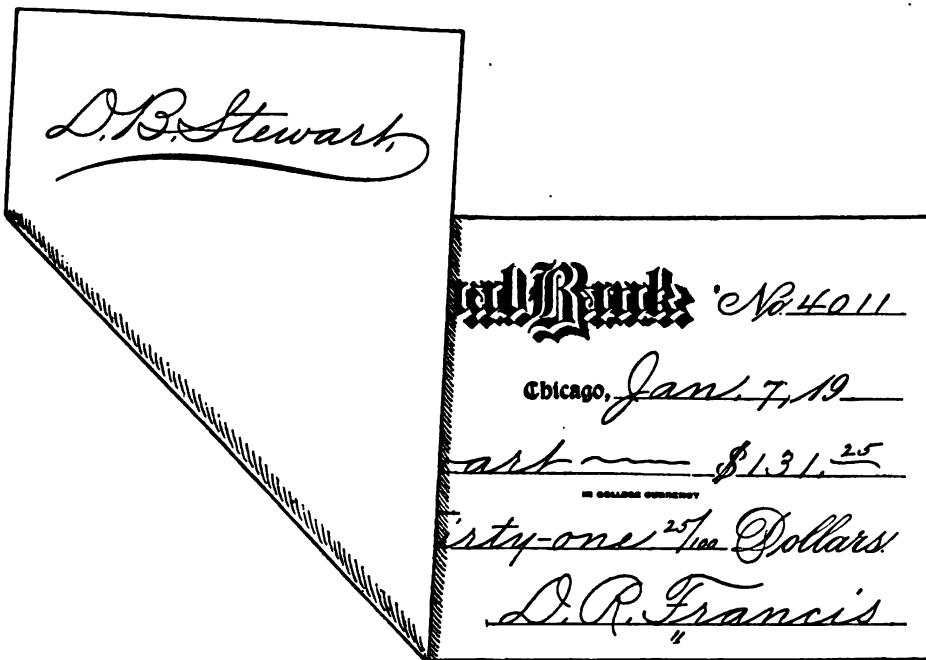
**Business and Legal Point.** Checks should be deposited, if possible, within twenty-four hours of the time they are received. If checks are not presented for payment (or deposited, which amounts to

the same thing) within a reasonable time after they are received, the holder loses in case of the failure of the bank—and the courts have held that a "reasonable time" in which the payee must act is twenty-four hours, except in unusual cases. When the bank drawn upon is at a distance, reasonable time must be allowed for the check to be forwarded.

Furthermore, failure to present a check will cause the holder great inconvenience in case the maker should draw out his funds from the bank while the check was being held by the payee. The bank would return the check marked "No funds" or "Insufficient funds." The holder would then be compelled to look to the maker of the check to redeem it.

Deposit checks promptly and be on the safe side.

**Endorsement.** Before depositing, the check should be endorsed. That is, D. B. Stewart's name should be signed on the back of the check, as shown in the illustration. This transfers the ownership of the check from Mr. Stewart to the bank, and also constitutes Mr. Stewart's receipt for the money. In case the check should prove to be "no good" the bank could require Mr. Stewart to take it back. Checks should always be endorsed when transferred, whether to a bank or a person or firm. This check reads "Pay to the order of D. B. Stewart." Mr. Stewart's endorsement is his "order" for the payment of the check.



All commercial papers should be endorsed when transferred from one party to another. Following are several forms of endorsement:

**Endorsement in Blank.** This consists merely of the name of the party transferring the paper, as shown in the illustration.

Its effect is to order the paper to be paid to bearer. The endorser becomes responsible for it to the party to whom he transfers it; that is, he agrees to redeem it if the maker does not.

**Note.** It is permissible for one receiving a check endorsed in blank, to fill in above the endorsement the words "Pay to the order of (endorsee's name)" so that it becomes an endorsement in full. This is a wise precaution if one expects to hold the check for some time, or if there is danger of losing it, as the paper is then not payable to bearer.

**Endorsement in Full.** This consists of the name of the endorser and instructions as to whom to pay, thus:

Pay to the order of the Merchants' Exchange Bank.  
*D. B. Stewart.*

Its effect is to order that the paper be paid to the Merchant's Exchange Bank or some one the bank may specify by a second endorsement. Mr. Stewart agrees to pay it if the maker does not.

**Restrictive Endorsement.** This consists of the name of the endorser, preceded by instructions as to whom to pay, and the word "only" or "for collection" or "for deposit" or "for my use" or similar words, thus:

Pay to E. D. Smith only.  
*D. B. Stewart.*

This does not transfer the paper to E. D. Smith, but indicates that Smith is acting as Stewart's agent. Smith has no power to transfer the paper further, but merely to collect it for Stewart. Stewart agrees to redeem the paper if the maker does not.

Restrictive endorsements of checks are not encouraged by banks.

**Conditional Endorsement.** This is an endorsement coupled with a condition, thus:

Pay to E. D. Smith on January 1, provided he be engaged in the practice of  
law at that time.  
*D. B. Stewart.*

The validity of such an endorsement depends upon the fulfillment of the condition. This is an unusual form.

**Endorsement "Without Recourse."** This endorsement reads:

Pay to E. D. Smith without recourse to me.  
*D. B. Stewart.*

It effects the transfer of the paper from Stewart to Smith, but repudiates Stewart's obligation to pay if the maker does not. It is unsafe to accept paper endorsed "without recourse."

**Business Point.** If the name of the payee be misspelled in the body of a check, he should spell his name in the same way in his endorsement, but should also sign his name again underneath that, spelling it correctly.

**Business Point.** In case there are a number of checks deposited, it is customary to list them in the column underneath the word "Checks," placing the total only in the main column opposite the word "Checks."

Endorse in blank the check just received, and make the deposit. The bank clerk will enter the date and amount of the deposit immediately below the last entry in the pass-book.

Mr. Stewart requests that in future you attend to the depositing. Deposit all checks promptly, and do not keep on hand more than a small amount of cash. Make it a rule never to keep a sum in excess of \$100.00 in the cash register over night.

#### Transaction No. 15

January 9. We receive from the Eckhart & Swan Milling Co., 377 Carroll Ave., an invoice of merchandise bought on account.

The invoice will be found in the pad of incoming papers (No. 8).

**Bookkeeping.** Make the journal entry.

**Filing.** File the invoice in the section marked "Invoices Payable."

#### Transaction No. 16

January 10. We sell to the Austin Livery Co., on account, 100 bu. ear corn at 57½¢. Follow the instructions given in Transaction No. 7.

**Transaction No. 17**

January 10. We sell to The Boston Bakery Co., on account, 20 brl. Best Baker's Patent flour at \$6.20; 50 bu. Standard oats at 76¢; and 500 bu. ear corn at 68¢.

Follow instructions given for Transaction No. 7.

**Transaction No. 18**

January 10. Your salary is paid in cash, \$20.00.

Follow the instructions given on Jan. 3.

**POSTING**

Mr. Stewart now suggests that you post the transactions from the journal to the ledger. The transactions appear in the journal in the order of their occurrence, but they must be arranged in the ledger in the proper accounts. It is not desirable that the posting be deferred. The longer you delay the work of posting, the further behind you will get. Besides, if someone should desire to settle his account, or for any other reason it should be necessary to find the balance of any account, it would be inconvenient to have to trace through the journal hunting up items. There are many reasons why the posting should be kept up to date.

**Opening the Ledger.** You will now open accounts in the ledger, opening them in the order in which they are given in the list which follows. Write your ledger headings in a plain, bold hand. Do not abbreviate except for initials, for the word "Co." and for the sign "&." Addresses must be written for all personal accounts.

Allow for each account one line for the name of the account, one line for the ruling, and for the entries the number of lines indicated in the following list:

Page 1: D. B. Stewart, 9 lines; Expense, 17. Page 2: Furniture and Fixtures, 9; Merchandise, 24. Page 3: Interest, 9; Loss and Gain, 10. Page 4: Cash, 27; Notes Receivable, 6. Page 5: The Boston Bakery Co., 11; Austin Livery Co., 9; H. N. Alkire, 11. Page 6: E. C. Judson, 10; J. T. Hooper, 6; Notes Payable, 11. Page 7: Eckhart & Swan Milling Co., 10; The Macey Co., 4; Pillsbury-Washburn Flour Mills Co., 4.

**Indexing the Ledger.** Number the ledger pages and proceed to list the ledger accounts alphabetically in the index, which precedes the first page of the D. B. Stewart's ledger. Write the heading "Index to D. B. Stewart's Ledger," at the top of the page. The page is divided into twelve sections. These should be headed as follows: First column, A, B C & D, E second column, F & G, H, I, J & K; third column, L, M, N & O, P to Z. First write D. B. Stewart's name in the space under S, thus: Stewart, D. B. Write figure 1 (the ledger page) in the narrow column at the left. Then index Expense under E, writing the ledger page (1) in the narrow column. Furniture and Fixtures is indexed under F, and Merchandise under M, but in each case the ledger page 2 is used instead of 1. In this manner index all accounts each under its proper letter, the ledger page being shown in each case.

The Boston Bakery Co. is indexed under B. and is written "Boston Bakery Co., The." Notes Payable and Notes Receivable are indexed under N. The Macey Co. is indexed under M. Eckhart & Swan Milling Co., under E.

**Posting.** Post the transactions from the journal to the ledger. Refer to page 33 for definite instructions for posting. Begin with the first transaction in the journal and post the transactions in order. In posting each transaction, post first the debit or debits and then the credit or credits. Use as your explanation for each entry in the ledger the name of the account or accounts affected on the other side in the same transaction.

Write the number of the journal page in the folio column of the ledger and the number of the ledger page in the L. F. column of the journal at the instant of posting the entry. Then there will be no confusion in case you are interrupted before the posting is finished.

#### Student's Weekly Reports

**Student's Report No. 1.** Accompanying your outfit is a pad of reports, the purpose of which is to show that your files have been properly kept and to show certain other facts your teacher should know at this time. These reports are to be made out at the end of each business week.

Write your name at the top of the report. Fill in the spaces for the Report Number (1), the date (Jan. 10, 19—), and the fact that the report is taken at the end of Transaction No. 18.

#### How to Fill Out the Report

**Cash.** Opposite the words "Cash Dr." write the total of cash received, which you will ascertain by adding the debit side of the cash account. Place below it the amount of cash paid out. The difference is the balance on hand.

**The Cash Proof.** This is the test of the cash balance. Count the cash in the cash register and write the amount in the first blank space. Add to this the bank balance, as shown by the check-book stub. The sum of these two items is the balance on hand, and must agree with the balance on hand as ascertained from the cash account.

As there is no cash in the cash register at this time, you need not fill out the Cash Proof on Report No. 1.

You will do nothing with the Bank Proof at this time.

**Papers Issued.** Under this head include in each report all papers issued since January 1. The number of checks issued will be shown by the number on the check-book stub. Write the total of checks issued in the "Amount" column.

The number of notes issued will be found by counting the stubs of the blank-book for notes. Add the amounts of the notes and write the total in the "Amount" column.

The deposit slips will all be in the outgoing papers section. Count them and record the number made out. Put their total amount in the "Amount" column. The difference between this amount and the amount of total checks issued should agree with the bank balance as shown by the check-book stub.

Invoices issued will all be found in the outgoing papers section. Some of these will be received by us and some will not. Count them all. Compute the amount. This amount differs from the total sales to date by \$34.00, as no invoice was made out for the cash sale (\$34.00) made on Jan. 3.

The receipts issued may be determined from the stub of the receipt-book, on which you have made proper memorandums. No form receipts have been issued as yet.

No drafts have been drawn as yet.

**Condition of Files.** This part of your report will show whether your files have been properly kept.

Unpaid bills should all be in the file marked "Invoices Payable." Give the number of them and the amount.

Notes Receivable are all kept in the cash register. None have been received as yet.

Receipts received by us should all be in the section marked "Receipts." They are of four kinds: (a) Simple receipt forms, filled out and signed by others; (b) Canceled checks, which are equivalent to receipts from the endorsers; (c) Canceled notes, which are equivalent to receipts; (d) Invoices and bills paid by us, which were marked "Paid" by others when we paid them.

It is of the utmost importance that you fill out these reports properly. Your teacher checks your work each week from these reports, and a failure on your part to make them out properly will result in poor marks for you.

Hand in your report to your teacher.

**Business Point.** It is customary in business to "prove the cash" (take a cash proof) every day or oftener. Banks usually prove the cash as often during the day as business will permit. The longer an error in cash goes undiscovered, the harder it is to find out what the mistake was.

#### Transaction No. 19

January 12. We sell for cash 5 brl. Pillsbury's Best flour at \$6.80.

No bill will be made out for this transaction. The cash may be taken from the outgoing papers section, and placed in the cash register.

#### Transaction No. 20

January 13. Mr. Stewart hands you an invoice for 500 bu. No. 2 spring wheat, bought of Kemper Bros. Co., 663 N. Halsted St., on our note payable fifteen days after date, without interest. (The invoice is Incoming Paper No. 9.)

Detach a note from the pad of blank notes and fill it out, all except the signature. Make it payable at Mr. Stewart's office. Secure the signature in the usual way.

**Business Point.** The note is payable "fifteen days after date." The time when payable could have been specified in some other way, as "Twenty days after Jan. 8," "On Jan 28," etc. But the above wording is usual.

**Note.** D. B. Stewart has not in any sense discharged his debt by issuing the note. He has, if anything, bound himself even more positively, for in the note he specifies in writing a place and a date on which he will pay. He now owes Kemper Bros. Co. "on his note"; if no note had been issued, he would owe them "on account."

The date on which the note falls due is called the date of "maturity."

**Bookkeeping.** Make the journal entry. State in your explanation the length of time for which the note runs.

**Filing.** Deliver the note by placing it in the outgoing papers section. Kemper Bros. Co. receipt the invoice. (Have the receipt written for them: "Paid by note 1/13/19—. Kemper Bros. Co., by ——"). File the received bill with the receipts.

#### Transaction No. 21

January 15. We sell to H. N. Alkire, 3760 N. Halsted St., on account, 100 bu. No. 2 spring wheat at \$1.15, and 50 brl. Pillsbury's Best flour at \$6.90.

Follow the instructions for Transaction No. 7.

**Transaction No. 22**

January 15. Payment is made by the Austin Livery Co. for Mdse. bought of us on Jan. 3. This bill is for \$65.00. They pay cash, \$15.00; and a 30-day note for \$50.00.

A \$10.00 bill and a \$5.00 bill will be found in the envelope marked "Currency."

The note will be found in the incoming papers pad (No. 10).

Take the invoice from the outgoing papers section and receipt it thus: "Paid 1/15/19—. Cash, \$15.00. 30-day note, \$50.00. D. B. Stewart, by \_\_\_\_\_. Return the received invoice to the outgoing papers file.

**Bookkeeping.** Make the journal entry. The explanation should show when the note falls due, and the rate of interest it bears.

**Filing.** Place the cash and note in the cash register, first examining the note carefully to see that it is correctly made out.

**Transaction No. 23**

January 17. We sell to The Boston Bakery Co., on account, 5 brl. Lincoln flour at \$5.15.

Follow instructions for Transaction No. 7.

**Transaction No. 24**

January 17. Your salary is paid in cash, as on Jan. 10.

Take the cash from the cash register.

**Bookkeeping.** Make the journal entry.

**Filing.** Place the cash paid out in the outgoing papers section.

**Posting.** Mr. Stewart suggests that you now post to the ledger all transactions which have not yet been posted from the journal.

From the L. F. column in your journal you can determine what transactions have been posted, as a page number has been entered in this column opposite every posted transaction. Continue the posting from the point where you left off. In making the entries in the ledger, leave no blank spaces; write each new debit item immediately below the last debit item posted in the account affected, and each new credit item immediately below the last credit item posted to that account. Do not forget to write the journal page in the ledger and the ledger page in the journal, as each item is posted.

**Student's Report No. 2.** Make out a student's report, following the instructions given on page 50 for Student's Report No. 1. The report on "Papers Issued" will include *all* papers issued since Jan. 1. The report on "Condition of Files" will show the condition of the files as they now stand.

**Questions:**

Does the cash balance, as shown by your cash proof, equal the balance on hand as shown by your Cash account?

Does the difference between the amount of deposits and the amount of checks drawn equal the bank balance as shown by the check-book stub?

Does the difference between the notes issued and the canceled notes, as shown by the report, equal the balance of the notes payable account as shown by the ledger?

Does the sum of the canceled checks, if any, in the receipt file, and the checks still in your outgoing papers file, equal the total of checks issued, as shown by your report?

Remember this page and refer to these questions whenever you prepare a Student's Report. They will greatly assist you in keeping your files properly. Do not pass to the work of the next week until the report has been approved by your teacher.

**The Trial Balance.** Equal debits and credits have been posted for each transaction. If no mistake has been made, your ledger is in balance. Add the ledger accounts, placing small lead-pencil figures underneath the columns added. Prepare your trial balance, dating it Jan. 17, 19—.

**Note.** Before writing the lead pencil figures in the ledger, sharpen your lead pencil to a fine point, and be sure to make small, neat figures just beneath the last item in the column and close to it so as not to interfere with the item which will later be written on the next line. It is well to use a medium or hard lead pencil for this purpose. Be careful in making your figures. Many mistakes originate in carelessly made figures, and these are harder to discover than any other mistakes.

**Checking.** If a mistake has been made, proceed at once to discover it by checking, as described on page 36. Many bookkeepers check the posting whether the trial balance comes out all right or not, as there are some mistakes which may exist without throwing the ledger out of balance, as, for instance, posting to a wrong account, or transposing a debit and credit. Careful checking will reveal these.

If a bookkeeper purposes to check his posting whether or not his ledger is in balance (as shown by his trial balance), then it is well that the checking be done before the trial balance is attempted. In this case the bookkeeper will be spared the annoyance and discouragement of failing to get a balance.

**Making Corrections.** When an error is discovered, ask your teacher how to correct it. Later on you will be taught how to correct the different kinds of errors, but for the present you will consult with your teacher on these matters. Do not make erasures or interlineations, or rule out figures, unless your teacher instructs you to do so.

Close no accounts at this time.

#### Transaction No. 25

January 20. We sell to E. C. Judson, 36 S. Water St., Chicago, on account, 200 bu. Standard oats at 65 cents.

Follow instructions for Transaction No. 7.

#### Transaction No. 26

January 21. We sell for cash to E. C. Judson, 36 S. Water St., 100 bu. No. 2 spring wheat at \$1.12½ and 4 bu. ear corn at 62½¢. Mr. Judson demands a receipt. You will therefore make out an invoice and receipt it.

Take a \$100.00 bill from the currency envelope and a \$20.00 bill from the outgoing papers section. Return to the outgoing papers section \$5.00 change from the cash register.

**Bookkeeping.** Make two journal entries, one charging E. C. Judson for the goods purchased, and the other crediting him for the payment.

**Business Note.** It is customary in business to keep a record in the ledger of all transactions with persons having accounts with us, whether such transactions are for cash or on account. The purpose of this is that the ledger may exhibit a complete history of all transactions with those persons. Mr.

Judson is a regular customer of Mr. Stewart's, and Stewart wishes this transaction to show on Judson's account, even though it was a cash transaction. The above plan provides for this.

**Filing.** Place the cash received in the cash register. Place the received invoice with the outgoing papers.

#### Transaction No. 27

January 21. Deposit \$100.00 in the bank. (See instructions given for Transaction No. 2.)

#### Transaction No. 28

January 22. We sell to H. N. Alkire, on account, 5 bu. Standard oats at 65¢, 10 bu. ear corn at 60¢, and 5 bu. No. 2 spring wheat at \$1.15.

See instructions for Transaction No. 7.

#### Transaction No. 29

January 24. Mr. Stewart hands you an invoice for merchandise bought of the Eckhart & Swan Milling Co. on account.

Their bill will be found in the pad of incoming papers (No. 11).

**Bookkeeping.** Make the entry in the journal.

**Filing.** Place the invoice in the section marked "Invoices Payable."

#### Transaction No. 30

January 24. Your salary is paid as on Jan. 10. See instructions on that date.

**Posting.** Mr. Stewart again suggests that all posting should be done up to date. Post all transactions that have not yet been posted, but do not take a trial balance nor close any accounts.

**Student's Report No. 3** should be made out at this time.

When you have made out your report, turn to the questions on page 52, and answer them satisfactorily to yourself before handing the report to your teacher.

Mr. Stewart does not expect to prompt you every Saturday night to post your books. Understand that you are to post your books every Saturday night until differently instructed. Make out a report at the end of each business week.

You will be instructed when to take trial balances.

#### Transaction No. 31

January 27. Mr. Stewart instructs you to pay the Eckhart & Swan Milling Co.'s bill of Jan. 9 by giving them our 10-day note for \$300.00 bearing 6% interest and our check for \$180.00.

See Transaction No. 3 for instructions as to issuing our note. Make the note payable here. See Transaction No. 5 for instructions as to drawing a check. Do not forget the record on the check-book stub.

**Bookkeeping.** Make the journal entry, stating in your explanation that this is in payment of their bill of Jan. 9.

**Filing.** Take the invoice from the section for "Invoices Payable," have it received by the Eckhart & Swan Milling Co., and file it with the receipts. Deliver the check and note by placing them in the outgoing papers section.

**Transaction No. 32**

January 27. We sell to H. N. Alkire, on account, 50 brl. Lincoln flour at \$5.40 and 50 bu. barley screenings at 76¢.

Proceed as in Transaction No. 7.

**Transaction No. 33**

January 28. Mr. Stewart asks if we do not owe a note which falls due about this time. Look in the outgoing papers section and take out a note which is due today.

Mr. Stewart instructs you to pay this note at once by check. Write out a check for the amount, which Mr. Stewart will sign.

**Bookkeeping.** Make the journal entry.

**Filing.** Have Kemper Bros. Co. cancel the note by writing across the face of the paper, in red ink, "Paid Jan. 28, Kemper Bros. Co., by \_\_\_\_" File the canceled note with the receipts. Deliver the check by filing it with the outgoing papers.

**Business Point.** Canceled notes, receipted invoices, and paid checks are all receipts, and should be kept with the receipts. You will not get back any paid checks until the bank returns them all at the end of the month with its monthly statement.

**Transaction No. 34**

January 29. We sell to H. K. Walton, Oak Park, Ill., 50 bu. barley screenings at 72¢, receiving in payment his check.

The check will be found in the incoming papers pad (No. 12).

**Bookkeeping.** Make the journal entry. Make no bill for this transaction, as the sale is for cash to a person who has no account with us.

**Filing.** Place the check in the cash register.

**Transaction No. 35**

January 30. The Boston Bakery Co. has paid \$20.00 on account in cash.

Take the cash from the outgoing papers section and file it in the cash register.

Give them a receipt for \$20.00 "on account." Make a proper record of this receipt on the stub of the receipt book. See Incoming Paper No. 3 for form of receipt.

**Bookkeeping.** Make the journal entry.

**Filing.** Place the receipt with the outgoing papers.

**Transaction No. 36**

January 30. Deposit the check last received and \$20.00 in cash. The check should be endorsed in blank before depositing.

**Transaction No. 37**

January 31. Your salary is paid in cash.

See instructions for similar transaction on Jan. 17.

**Transaction No. 38**

January 31. Mr. Stewart's note in favor of the National Cash Register Co. falls due to-day. He instructs you to pay it by check and have the note canceled.

Take the note from the outgoing papers section.

Write out a check for the proper amount and secure Mr. Stewart's signature.

Do not forget to make the proper entries on the check-book stub before detaching the check.

Have the note canceled by the National Cash Register Co.

**Bookkeeping.** Make the entry in the journal.

**Filing.** Deliver the check by filing it with the outgoing papers. Place the canceled note with the receipts.

#### Posting

Post the remainder of the transactions for January. The last transaction posted was No. 30. In posting, leave no blank spaces in the ledger, on either side. Do not skip a single line in the ledger just because it has lead-pencil figures above it. If you have followed instructions closely these figures are small and written close beneath the last item posted before Jan. 19, so they will not interfere with the new entries.

#### Trial Balance

Take a trial balance, dating it January 31. The footings for this trial balance should include all transactions from the beginning. You may add all entries in the ledger columns, ignoring the lead-pencil footings which you placed in the ledger at the time of taking the last trial balance, on Jan. 17; or you may simply add up to and including these footings.

#### Inventories.

At the end of the month Mr. Stewart values the property and Mdse. on hand as follows:

Furniture and Fixtures,	\$ 385.00
Mdse.,	1,066.63

**Teacher's Note.** There are two small interest inventories, one a resource and the other a liability, which Mr. Stewart omits from this list, as they practically cancel each other.

#### STATEMENTS

One month's business has now been transacted and Mr. Stewart desires to know what the gain or loss has been during the month and how the house stands financially. He asks you to prepare, from the ledger accounts and the inventories, statements showing these things.

The *progress* and *condition* of the business may be shown by means of statements. These statements may be prepared at periodical intervals, usually monthly, semi-annually, or annually.

By the progress of the business is meant its net gain or net loss. The statement showing the progress, or profitableness, of the business is called the Loss and Gain Statement. The items of which this statement consists are taken from the accounts showing loss or gain.

The condition of the business is shown by a list of its assets and liabilities, called the Financial Statement. The items of which this statement consists are taken from the financial accounts and from the inventories.

Before you can prepare a Loss and Gain Statement or a Financial Statement, you must understand the following:

### Classification of Accounts

Accounts in the ledger are of two classes, namely: Financial accounts, and Loss or Gain accounts.

A Financial account is one which exhibits as a result either an asset or a liability. Assets, or resources, are property of any kind. Liabilities are debts. If the debit side of a financial account be the larger, it exhibits an asset; if the credit side be the larger, a liability is shown. Of this class of accounts are Cash, Personal Accounts, Notes Receivable, and Notes Payable.

Inventories of property on hand are assets. These inventories are *not the results of accounts*, however, but are ascertained by an actual count and valuation of the goods.

A Loss or Gain account is one which exhibits as a result either a loss or a gain. If the debit side be the larger, a loss is shown; if the credit side be the larger, a gain is shown. Of this class of accounts are Mdse., Real Estate, Interest, Expense, Loss and Gain, etc.

Refer to the first chapter of this book, in which the accounts are each discussed separately. Compare the *result* shown in each case with that shown in the following table:

ACCOUNT	RESULT	CLASSIFICATION
Cash	Asset	Financial
Notes Receivable	Asset	Financial
Notes Payable	Liability	Financial
Personal Accounts	Asset or Liability	Financial
Real Estate	Loss or Gain	Loss or Gain
Mdse.	Loss or Gain	Loss or Gain
Expense	Loss	Loss or Gain
Interest	Loss or Gain	Loss or Gain
Loss & Gain	Loss or Gain	Loss or Gain
Proprietor	Amount of Investment	Financial

#### Questions:

May the cash account ever show a liability? Why?

Why is it not possible to say whether the result of the real estate account will be a loss or whether it will be a gain?

Why does the notes receivable account never show a liability?

Why does the notes payable account never exhibit an asset?

When does a personal account show an asset? When a liability?

Why does the expense account always show loss?

Which side of the interest account will usually be the larger in case of a business run on borrowed money?

### The Financial Statement

Determine which of the accounts used in Mr. Stewart's ledger are financial accounts. These are to be used in taking the financial statement.

The assets are listed first. The items are written in the left-hand column, and their total placed in the right-hand column. The liabilities are then listed in the same way. The total liabilities are subtracted from the total assets. The result is the net capital, or worth of the business at the time the statement is prepared.

### The Financial Statement Analyzed

The Financial Statement consists of a list of the assets and liabilities of the business, prepared for the purpose of showing the net capital, or the worth of the business, at the time it is taken. It should include all inventories and all financial accounts.

Following is an outline of Mr. Stewart's financial statement. You may now refer to your trial balance of January 31 and prepare a financial statement, using a sheet of journal paper. In form your statement will be like the model shown. The amounts must be supplied by you after reference to your trial balance and inventories.

## Financial Statement, Jan. 31, 19—

		<u>Assets</u>			
		Furniture & Fixtures, Inv'ty.		???	
		Merchandise	"	??????	
4	Cash	Recd.	???????		
		Paid Out	???????	???????	
4	Notes Receivable			??	
5	The Boston Bakery Co.	Dr.	???.??		
		Cr.	???	???	
5	Austin Livery Co.	Dr.	???.??		
		Cr.	???	???	
5	H. N. Alkire			???	
6	E. C. Judson		???	???	
	<u>Total Assets</u>			???????	
		<u>Liabilities</u>			
6	Notes Payable	Issued	???		
		Redeemed	???	???	
7	Eckhart & Swan	Cr.	???.		
		Dr.	???	??	
7	The Macey Co.			???.??	
	<u>Total Liabilities</u>			???.??	
	<u>Net Capital</u>			???????	

Explanation: Write the heading, "Financial Statement, January 31, 19—."

On the first line below the double red line write the word "Assets," and proceed to list

the assets, writing the separate items in the left-hand money column and placing the total in the right-hand money column, with the explanation "Total Assets."

The first two assets are inventories. The proper amounts are given at the end of the transactions for January. You must use the figures there given.

Refer to your trial balance. The first account named is the Proprietor's account. Pass this account for the present. The second, third, and fourth accounts named in the trial balance are loss or gain accounts, and these will not be used in taking the financial statement. Pass them over for the present.

The next account listed in the trial balance is Cash. This account exhibits an asset. Write the amounts of the total receipts and total payments in the explanation column. Rule a single red line beneath. Subtract. Place the amount of the difference in the left-hand money column, underneath the Mdse. inventory. Place the ledger folio (4) in the L. F. column at the left.

The next account listed in the trial balance is the notes receivable account. This is an asset account. Place the amount of the asset in the left-hand money column. Write the ledger page in the L. F. column; do this for each account listed.

The next account in the trial balance is the account with The Boston Bakery Co., a personal account. Personal accounts may be either assets or liabilities. As the debit side of this account is the larger, it is apparent that the difference between the two sides is an asset. Place it in the list of assets, after showing the subtraction in the explanation column.

The Austin Livery Co.'s account, H. N. Alkire's account, and E. C. Judson's account exhibit assets. List the amounts with other assets.

Complete the examination of the trial balance. Do any of the remaining accounts exhibit assets?

If not, proceed to list the liabilities. Leave three blank lines and write the heading, "Liabilities."

Passing the Proprietor's account, the accounts showing loss or gain, and the accounts already listed as assets, the first account you come to is the notes payable account. This is a financial account. Its credit side is the larger. It therefore shows a liability. Write in the explanatory column the total issued and the total redeemed. The difference is the amount outstanding, which is written in the left-hand money column.

The Eckhart & Swan Milling Co.'s account is a personal account. The credit side is the larger; therefore it is a liability. List it as the second liability item.

The last liability is the amount of the balance due The Macey Co.

Rule a single red line of addition under the list of assets. Add the assets, extend the total into the right-hand column, and write opposite it the words "Total Assets."

Rule a single red line under the list of liabilities. Add the liabilities. Extend the total into the right-hand column and write opposite it the words, "Total Liabilities." Rule a line across the second column and subtract the total liabilities from the total assets.

The result shown by this last subtraction is the net capital, or worth of the business, on Jan. 31. Rule a double red line across both columns.

#### **The Loss and Gain Statement**

The Loss and Gain Statement consists of a list of the separate losses and gains. The difference between the total gains and the total losses will be the net gain of the business since January 1.

A loss and gain statement ordinarily shows the net amount of gain or loss between the time it was taken and the last time the ledger was "closed." But in this case it shows the loss or gain since the beginning, Jan. 1, as the books have never been closed. You will learn later of the process of closing the ledger. This is usually done every time the loss and gain statement is taken, though not necessarily so.

Following is an outline of Mr. Stewart's loss and gain statement. The amounts are to be ascertained by you from the trial balance and inventories:

## Loss & Gain Statement, Jan. 31, 19-

		<u>Gains</u>			
2	Mds.	Total cost	????.??		
		Goods unsold	????.??		
		Cost of goods sold	????.??		
		Sales	????.		
		Cost of goods sold	????.??	????.??	
		Total Gains			????.??
		<u>Losses</u>			
1	Expense			???	
2	Furniture & Fixtures Cost			????.??	
		Invty.	???	???	
		Total Losses			????.??
		Net Gain			????.??
		<u>Proof</u>			
		D.B. Stewart's Investment, Jan. 1		????.??	
		Gain as per Loss & Gain Statement, Jan. 31		????.??	
		Net Capital as per Financial Statement, Jan. 31,		????.??	

Explanation: The gains are to be listed first.

The first loss or gain account listed in the trial balance is the expense account. But as

this account exhibits only debit items it is apparent that it is a loss. We will therefore pass it for the present.

The second loss or gain account listed in the trial balance is the furniture and fixtures account. An inspection shows that as the cost of furniture and fixtures is greater than the inventory, this account exhibits a loss. We will therefore pass it for the present.

The next loss or gain account in the trial balance is Mdse. You cannot readily determine by inspection whether this account shows a loss or a gain. You will therefore figure it out before writing it in the statement. The total cost is \$\*\*\*\*.\*\*, the debit footing of the account. The value of unsold Mdse. is the inventory. The difference between these two is \$\*\*\*\*.\*\*, the cost of the goods sold. The difference between the total sales (the credit side of the account) and the cost of the goods sold, as just ascertained, is \$\*\*\*\*.\*\*, a gain. (Had the cost of the goods sold been in excess of the sales, a loss would have been shown.)

The Mdse. account is therefore the first and only account showing a gain. Write the amount of the gain in the left-hand money column, after showing your computations in the explanatory column. Rule a single line and carry the same amount out into the second column as the total gain. Write the number of the ledger page in the folio column.

Leave three blank lines.

Write the heading "Losses," and list the losses. These are exhibited by the expense account and the furniture and fixtures account.

Subtract the total loss from the total gain. The result will be the net gain. Rule up the statement.

#### Proof

The sum of the proprietor's investment, as now exhibited in the trial balance, and the net gain, as shown by the loss and gain statement, must exactly equal the net capital, as shown by the financial statement.

The accuracy of the two statements is proved by applying this test. It is called a "proof" and should be written at the bottom of the loss and gain statement for two reasons: First, it would not be wise to have the proof, which shows the amount of gain, on the financial statement, which is often seen by persons other than the proprietor and bookkeeper. Second, there is usually more room to write it at the bottom of the loss and gain statement.

**Explanation:** Gains are increases of assets or diminutions of liabilities. Losses are diminutions of assets or increases of liabilities.

Hence the amount of gain for a given period will be exactly the same as the increase of net assets during that period. The amount of loss will exactly agree with the decrease of net assets.

Mr. Stewart's gain may be ascertained in either of two ways. It is the difference between his net capital Jan. 31 and his investment, or net capital Jan. 1. Or it is the difference between his gains for the month and his losses for the month.

If you find the sum of Mr. Stewart's investment Jan. 1 and his net gain for January to be exactly equal to his net capital as shown by your financial statement, write the proof at the bottom of your loss and gain statement and hand in both statements.

**Note.** It is understood, of course, that the trial balance is merely a list of ledger accounts, and that while the statements are taken from the trial balance as a matter of convenience, the amounts used are those shown by the ledger. Statements could be, and often are, taken directly from the ledger.

## ADDITIONAL EXERCISES

## Exercise I

From the following trial balance and inventories make W. B. Hayes' financial statement Jan. 31, 19—. Also make a loss and gain statement and proof. Use loose sheets.

**W. B. Hayes' Trial Balance, Jan. 31, 19—.**

W. B. Hayes, Proprietor	5,460	66	
Furniture and Fixtures	490	00	
Merchandise	2,400	00	
Interest	43	99	
Expense	275	00	
Cash	3,903	50	
Notes Receivable	1,200	00	
John M. Smythe & Co.	125	00	
C. J. Anderson	56	50	
Steinway Bros.		520	00
L. D. Conway		459	00
Notes Payable		1,425	00
	8,493	99	
		8,493	99

**Inventories:** Mdse, \$2,100.00. Furniture and Fixtures, \$475.00.

If the losses exceed the gains, the result is a net loss. In taking the proof, this must be deducted from the investment in order to find the net capital Jan. 31.

### Exercise II

Prepare statements from the facts shown by the following trial balance, taken from the ledger of W. B. Owen, Feb. 28, 19—, and the inventories. Write a proof at the bottom of the loss and gain statement.

**W. B. Owen's Trial Balance, Feb. 28, 19—**

W. B. Owen, Proprietor.	14,253	60
Merchandise.	4,256	20
Real Estate.	10,000	00
Expense.	272	65
Interest.	43	50
Cash.	2,405	65
Notes Receivable.	500	00
John Doe.	245	40
Richard Roe.	50	00
Notes Payable.		650 00
	17,773	40
		17,773 40

**Inventories:** Merchandise, \$3,678.20; Real Estate, \$9,950.00; Interest due on our notes payable, \$14.70.

Note that the interest inventory is an inventory of debt. This is called a liability inventory. It is included among the liabilities in the financial statement. It is added to the debit side of the interest account when making the loss and gain statement.

### Exercise III

**W. F. Barnes' Trial Balance, Mar. 31, 19—**

W. F. Barnes	52,000.00	10,000.00
Merchandise	53,000.00	
Real Estate	8,000.00	
Expense	1,260.00	
Interest	320.00	254.00
Cash	34,000.00	33,000.00
Notes Receivable	12,060.00	5,600.00
Accounts Receivable	9,350.00	3,356.00
Notes Payable	3,700.00	9,700.00
Accounts Payable	4,520.00	10,300.00
	125,210.00	125,210.00

**Inventories:** Mdse., \$6,000.00; Store and Lot, \$7,500.00; Unexpired Insurance (which had been charged to Expense), \$125.00.

**Note.** Unexpired insurance is a resource inventory. It represents something of value which we still own, as it has never been used.

## CLOSING THE LEDGER

Mr. Stewart has seen and approved your financial statement, loss and gain statement, and proof. He now instructs you to rule up the accounts of the ledger, so that the ledger itself will exhibit the condition of the business as shown by the financial statement, and the results as ascertained in taking the loss and gain statement.

**Note.** Before attempting to close the ledger, study carefully the following directions for ruling, and practice the ruling here assigned.

Take a new pen point. Moisten it with your tongue and wipe it carefully, so that the ink will flow evenly. Do not overload it with ink, and watch it closely to guard against spilling ink. Do not start to rule a line without enough ink on the pen to finish it.

Lay the ruler down on the desk, beveled edge up, and hold the pen against the edge when ruling. If you were to lay the edge of the ruler next to the paper the ink would fill in between the ruler and the paper and blot the line. Hold the pen sidewise, so as not to smear ink on the ruler's edge, and so that the two nibs of the pen will spread apart and allow the ink to flow. Make light lines by ruling with the back of the pen. Single lines will be light lines. Double lines will be composed of one light line and one heavy line. Rule with a full arm sweep, not too slowly. Practice making heavy and light lines.

Now rule a design as follows, on a separate piece of paper: Rule double lines around a 2-inch square. Mark off the four sides into quarter inches and rule heavy lines making squares  $\frac{1}{4}$  inch on each side. Rule three light lines between the heavy lines, making small squares  $\frac{1}{8}$  of an inch on each side. When you have ruled this design to your satisfaction, hand it in to your teacher.

Do not underestimate the importance of good ruling. Neat ruling goes far toward the production of good work, which will be an inspiration to you and lessen the liability of mistake.

**First:** The financial accounts will be balanced and ruled up, all except the Proprietor's account. The balances on these accounts will be brought down below the rulings, and will exhibit assets and liabilities. The manner of closing these accounts was illustrated in the section on accounts at the beginning of the book (e. g., the cash, notes receivable, notes payable, and personal accounts).

You need not close the notes receivable account. Only one item is shown on this

account, and closing would be to no purpose, as well as being a waste of time and of ledger space.

Do not close the account with The Macey Co.

Note the balances due from the Austin Livery Co. and E. C. Judson, and the balances of the notes payable account and the Eckhart & Swan Milling Co.'s account. In each case this represents one unpaid item. State which one in each case.

ILLUSTRATION OF MERCHANDISE ACCOUNT, CLOSED

Merchandise

(Page 2)

Jan.				Jan.			
1	Cash	1	112750	2	Boston Bakery Co.	1	5750
3	Cash	2	520	3	Cash	1	34
9	Eckhart & Swan	2	480	3	Austin Livery Co.	2	65
13	Notes Pay.	3	455	7	Cash	2	13125
24	Eckhart & Swan	4	56	10	Austin Livery Co.	2	5750
31	Loss & Gain (Dr.)	3	39913	10	Boston Bakery Co.	3	502
				12	Cash	3	34
				15	H. N. Alkire	3	460
				17	Boston Bakery Co.	3	2575
				20	E. C. Judson	4	130
				21	Cash	4	115
				22	H. N. Alkire	4	15
				27	H. N. Alkire	5	300
				29	Cash	5	36
				31	Inventory (Cr.)	✓	106663
							303763
Feb.	1	Inventory	✓ 106663				

Next: The loss or gain accounts will be closed. The process of closing these accounts is as follows:

1. Inventories are entered in red ink.
2. The loss or gain is ascertained and entered in the smaller side in red ink. (See Illustration of Mdse. account, closed.)

3. The loss or gain is entered in the loss and gain account in black ink on the opposite side. (See Illustration of Loss and Gain account, closed.)

The name and page of the loss and gain account are entered in the explanatory and folio columns of the account closed. The name and page of the account closed are entered in the explanatory and folio columns of the loss and gain account. This furnishes a "cross reference" between the two accounts.

4. The inventories are brought down in black ink below the rulings on the opposite side of the accounts in which they were entered. (See the Mdse. account, closed.) A check mark (✓) is placed in the folio column opposite the red ink inventory, and another opposite the inventory brought down.

The loss and gain account now contains all the separate losses and gains shown by the different loss or gain accounts before closing.

Next: Close the loss and gain account into the Proprietor's account by the same process as that used for closing the separate loss or gain accounts.

LOSS AND GAIN ACCOUNT, CLOSED

*Loss & Gain*

(Page 3)

Jan.	31	Expense	1	219	Jan.	31	Mdse.	2	39913
	31	Turn. & Fix.	2	650					
	31	D.B. Stewart	1	17363					
				39913					39913

Enter the amount of the net loss or net gain on the smaller side of the loss and gain account in red ink. Enter the same amount in the Proprietor's account on the opposite side in black ink. Rule and foot the loss and gain account. Close the Proprietor's account with a balance, which is brought down below the rulings in black ink.

PROPRIETOR'S ACCOUNT, CLOSED

*D.B. Stewart*

(Page 1)

Jan.	31	Balance (red)	✓	1027363	Jan.	1	Cash	1	10100
						31	Loss & Gain	3	17363
				1027363					1027363

Feb.	1	Balance	✓	1027363

**Final Condition of the Ledger.** All accounts in the ledger are now closed, and the only items now showing beneath the rulings are:

Balances of financial accounts (including the Proprietor's account).

Inventories of loss or gain accounts.

Since the inventories of loss or gain accounts all appear in the financial statement, as well as the balances of financial accounts, the items now appearing beneath the rulings should be identical with the items shown by the financial statement. Before proceeding with the next month's business, check the balances below the rulings of the ledger with the assets and liabilities as shown by the financial statement, which was taken before the ledger was closed.

**Balance of Balances.** You will now prepare and hand to Mr. Stewart a Balance of Balances. This is a trial balance taken of the balances and inventories which have been brought down below the double red rulings. It should agree in detail with the balances shown by the financial statement, including the balance of the Proprietor's account, which is the net capital.

#### THE BANK PROOF

January 31. The bank returns to you the checks which have been paid by them (Checks Nos. 1, 2, 3, 4, and 5), together with the bank's monthly statement of your account (Incoming Paper No. 13) showing their total. The checks are each marked paid. Mr. Stewart asks you to prepare a bank proof.

The checks issued by you were placed in the outgoing papers section of your file. This was equivalent to a delivery of them to the parties in whose favor they were made out. These parties are assumed to have endorsed the checks and presented them at the bank for payment. The bank then cashed the checks and stamped them paid. They were then held at the bank until the end of the month to be returned to you with the bank's monthly statement.

Take the five checks from your outgoing papers section to your teacher, who will have them endorsed in blank by the proper parties and cancelled by the bank. The cancellation will consist of the word "Paid" or "Canceled," the date (usually the same day or one day later than the date of issue), and the name of the bank, written across the face of the check in red ink.

**Filing.** Place the canceled checks and the statement furnished by the bank in the section for "Receipts."

**Student's Report.** Prepare and hand in to your teacher Report No. 4, dated Jan. 31, 19—. Follow the instructions given on Jan. 10 for the filing of this report. Fill out this report entirely, including the bank proof.

**The Bank Proof.** You will see by comparing the balance of the bank statement with your balance as shown by the check-book stub that there is a difference of \$225.00. This arises from the fact that the bank has not yet paid Check No. 6, which is for \$225.00. When the amount of this check is added to the balance shown by the check-book stub, the result will be the balance shown by the bank statement.

Do not consider the bank statement a receipt, when you write the number of receipts, but count each canceled check as one receipt.

### The Stock Record

To take an inventory of stock by actual count and valuation of goods is a matter of some difficulty, and in case of a large stock would consume a great deal of time. The clerks go through the stock systematically, counting, weighing, and measuring. Every article of stock is thus handled. Goods are inventoried at cost, unless for some reason they are worth more or less than their cost.

In most mercantile houses it is not customary to take an inventory of stock oftener than once a year, or twice a year at the oftenest.

A merchant who wishes to know constantly what merchandise is on hand and in what quantities, should keep a *stock record*. He will enter in this record the quantities purchased, the purchase price, and the quantities sold. By subtracting the total quantity of a given article sold from the total quantity purchased he will know how much is on hand at any time. Multiplying this by the purchase price, he will know the value of the amount on hand, computed at cost.

Mr. Stewart requests you to prepare a stock record which will show all Mdse. bought and sold during January.

Rule a sheet of paper as shown in the following illustration:

ILLUSTRATION OF STOCK RECORD

ARTICLES	Bot.	Sold	Left	Price	Amount
Pillsbury's Best flour, brls. . . . .	75	5 5 50	15	5 70	85 50
Standard oats, bu. . . . .	1000	100 50 200 5	645	52	335 40

The following articles are to be listed. Give each the number of lines indicated:

ARTICLES	Lines	ARTICLES	Lines
Pillsbury's Best flour,	3	Ear corn,	4
Best Baker's Patent flour,	2	No. 2 spring wheat,	3
Lincoln flour	3	Barley screenings,	2
Standard oats,	4		

Referring to the five invoices of goods bought (which you will find among the receipts and among the unpaid invoices), enter the quantities purchased in the first column opposite the names of the articles. Be sure to return each invoice to the file in which it belongs.

Refer to the explanations in the journal for articles and quantities sold. Your stock record is ruled to give you one line for each item sold. Write the quantities sold, each in its proper list.

Subtract the total quantity sold from the quantity purchased of each article, and enter the quantity remaining in the third column.

Write the cost price in the column headed "Price." This must be ascertained from the incoming bills.

Multiply the quantity left by the price in each case, and place the result in the last column as shown.

Add the results. The total will be the value of Mdse. on hand, or the inventory. See if your result agrees with the inventory given at the end of the list of transactions for January. If it does not, check over your work till you find your mistake.

### Journalizing Exercises

(Without explanations.)

January 1, 19—. F. H. Harms has to-day invested in business cash, \$5,000.00.

Jan. 2. Bought merchandise for cash, \$1,000.00.

Jan. 3. Sold merchandise for cash, \$500.00.

Jan. 4. Bought of the Cook Company, furniture and fixtures invoiced at \$550.00, on account.

Jan. 5. Bought store and lot for \$6,000, payable as follows: A note due in one year for \$2,000.00; a second note due in two years for \$2,000.00; and cash, \$2,000.00.

Jan. 6. Sold to Jas. Strong, on account, merchandise billed at \$425.00.

Jan. 8. Gave our note to the Cook Company for the furniture and fixtures bought of them on the 4th inst.

Jan. 8. Paid rent in cash, \$75.00.

Jan. 9. Received Jas. Strong's note at 30 days in full of account, \$425.00.

Jan. 10. Received cash from Hiram Green for his note due to-day. Face of note, \$300.00; interest, 60 days at 6%, \$3.00; total cash received, \$303.00.

Jan. 11. Paid cash for our note due John Brown for \$400.00 plus interest for one-half year at 6%.

Jan. 12. A note which we hold against John J. Johnson has fallen due to-day, for \$100.00 plus interest for one year at 5%. He pays for it by giving us a new note for the amount due, the new note bearing 6% interest.

Jan. 13. Borrowed \$100.00 of H. H. Jacobs. Gave him in exchange our non-interest bearing note for \$110.00 due in one year. (In other words we gave him our note for \$100.00, with 10% *interest for one year added*.)

Jan. 14. Rented to Wm. Little, desk room in our office. He paid us \$20.00 in cash for the first month's rent. (This is a return on the expense account.)

Jan. 15. Sold Wm. Little, one office desk and chair for \$35.00, on account. (This is a return on the furniture and fixtures account.)

Jan. 16. Bought 500 two-cent postage stamps for cash. Accommodated Mr. Little with 50 two-cent stamps, which we charged to his account.

Jan. 17. Settled our account with Hamilton Mabie, \$600.00, by giving him our note for \$400.00, an order on O. R. Williams for \$100.00, and cash, \$100.00. (O. R. Williams' account is credited with the amount of the order.)

Jan. 18. Endorsed over to N. V. Lanthorne, on account, a note in our favor for \$150.00, signed by H. H. Harris, on which interest of \$3.50 has accrued.

Jan. 19. Received in full settlement of Robt. Smith's account of \$200.00, a note signed by Richard Coe, \$100.00, on which \$3.20 interest has accrued; his own note for \$50.00, bearing 7% interest; and cash to balance.

**REVIEW QUESTIONS.** 1. What is an explanatory journal? 2. Describe the procedure of making a deposit. 3. What records are made of deposits? 4. Describe the pass book and state what its purpose is. 5. Describe the check-book stub. 6. What is an invoice? 7. What is a check? 8. Who are the parties to a check? 9. What is a lease? 10. What is meant by "briefing" a document for purposes of filing? 11. How and when should a check be endorsed? 12. What is an endorsement "in blank?" What is its effect? 13. What is an endorsement "in full?" What is its effect? 14. How is the cash balance tested when part of the funds are kept in the bank? 15. Name at least four kinds of receipts. 16. May a mistake be made in posting without throwing the ledger out of balance? Give illustrations. How may such mistakes be discovered? 17. Why should a record be kept of all transactions with regular customers? How is this done when the customers pay cash? 18. What is an asset? A liability? 19. Classify the following accounts to to the result shown by each: Cash, Notes Receivable, Notes Payable, Personal accounts, Real Estate, Mdse, Expense, Interest, Loss & Gain, the Proprietor's account. 20. What is the purpose of the Financial Statement? Describe it. 21. What is the purpose of the Loss & Gain Statement? Describe it. 22. How is the accuracy of the two statements proved? 23. How are financial accounts closed? 24. How are loss or gain accounts closed? 25. Describe the process of getting a bank proof. 26. How is a periodical inventory of stock taken? 27. How may a stock record be kept which will show the amount on hand at any time?

### CHAPTER III

## PRACTICAL OFFICE WORK AND BOOKKEEPING—Continued

### BUSINESS FOR FEBRUARY

#### Transaction No. 39

February 2, 19—. Mr. Stewart desires the rent to be paid promptly. He therefore requests you to write out a check for the February rent and bring it to him for signature.

**Note.** By this time you have learned that your teacher will either sign Mr. Stewart's name or authorize some one else to do so. No further directions will be given in regard to this.

Mr. Olmstead's receipt will be found in the pad of incoming papers (No. 14).

**Bookkeeping.** Make an entry in the journal with a full explanation of the transaction. As this is the first transaction in February, start a new page in the journal, writing the name of the month in full at the top.

**Check-book Stub.** Do not forget to deduct the amount of the check from your bank balance as shown by the check-book stub.

**Filing.** Mail the check by placing it with the outgoing papers. File the receipt in the proper envelope.

**Question.** Why does Mr. Stewart receive no lease this month as he did last month?

#### Transaction No. 40.

February 3. Mr. Stewart has bought for cash two new blank books for your use, advancing the money out of his own pocket. He paid \$1.00 each for the books. He asks you to reimburse him in cash.

Take \$2.00 from the cash register and pay the money to Mr. Stewart (by filing it in the outgoing papers section). You will receive no bill or receipt for this transaction.

**Bookkeeping.** Make the entry in the journal charging Expense. Let your explanation show clearly what took place.

#### Transaction No. 41

February 3. A sale is made to H. N. Alkire, on account, of 5 brl. Best Baker's Patent flour at \$6.25 per barrel. Make out an invoice.

**Bookkeeping.** This transaction is not to be entered in the journal, but in one of the new books, the Sales Book.

### THE SALES BOOK

**The Sales Book**, as its name implies, is a book in which are entered all sales of Mdse. Mr. Stewart has observed that nearly half of the transactions for January were sales. He would like to have sales kept separate from other transactions, for the future, in a special book.

**Questions.** How many sales of Mdse. were made during January? What part were they of the entire number of transactions for the month?

Mr. Stewart calls your attention to the fact that every time there is a sale of Mdse., whether it be for cash, on account, or on a note, the same account is credited, and also calls your attention to the fact that during January it was necessary to post all these credits separately from the journal.

**Questions.** What account is credited every time Mdse. is sold? If there were ten sales for cash, five sales on account, and three on a note, how many times would you have to post to the credit of this account, under the plan followed during January?

Mr. Stewart suggests that if you will list the Mdse. sales all together in the new sales book, all these credits may be added together, and it will only be necessary to post their sum to the credit of Mdse.

**Questions.** If there were eighteen sales of Mdse., how many times would the Mdse. account in the ledger be posted to from the journal, under the plan used for January? How many times would you have to post to the credit of Mdse. if you were using a sales book? How many postings would be saved by the use of the sales book?

FORM OF SALES BOOK

February 3, 19-

1.	H. N. Alkire	On ac/c			
	5-brls. Best Bakers Pat. Flour	6.25			31.25
2.	The Boston Bakery Co.	15 day note			
	5-brls. Lincoln Flour	5.25	26.25		
	145 bu. Standard Oats	.70	101.50	127.75	
3.	E. C. Judson	Cash			
	136 bu. Ear Corn	.65	88.40		
	45 bu. No. 2 Spring Wheat	1.15	51.75	140.15	
4.	Cash				
	15 brls. Best Bakers Pat. Flour	6.25	93.75		
	10 bu. Ear Corn	.625	6.25	100	
5.	Mdse. Cr. for total				??????

Do not copy the transactions shown in the above form, but study them carefully and refer to them when you make entries in the sales book.

**Explanation.** The sales book (sometimes called the sales journal) is a book of original entry, the same as the journal. When the sales book is kept, all sales of Mdse., without exception, are entered in it, and these transactions are not entered in the journal. When the sales book and journal are used as books of original entry, it is the province of the journal to contain entries for all transactions not disposed of in the sales book.

There are four sales shown in the model form of sales book. In the journal, the same entries would have appeared as follows:

FEBRUARY 3, 19—

	H. N. Alkire Mdse. 4	31 25	31 25
	The Boston Bakery Co. Mdse. 5	127 75	127 75
	E. C. Judson Mdse. 7	140 15	140 15
	Cash Mdse.	100 00	100 00

When the sales book is used, the four credits of Mdse. are entered in the right-hand money column so that they may be added, and the total, only, posted to the credit of Mdse. The effect of the use of the sales book is to condense the entry, as follows:

	H. N. Alkire The Boston Bakery Co. E. C. Judson Cash Mdse.	31 25 127 75 140 15 100 00	399 15
--	--	-------------------------------------	--------

**Form.** The date is written above the transaction, as in the journal.

The name of the account debited is written on the first line below the date, and at the extreme left of the wide column.

The left-hand narrow column is not used. In the right-hand narrow column (L. F.) the ledger folio is written *at the time of posting*.

At the right-hand side of the wide column, on the first line, and opposite the name of the account to be debited, are noted the terms of the sale, as "On account," "15-day note," "cash," etc.

The items of the sale are written in the wide column, indented about one-half of an inch from the L. F. column. The amounts of the separate items are written in the left-hand money column, a single line ruled underneath the last amount, and the total written in the right-hand money column, on the same line with the last item. If there is only one item, the amount is entered at once in the right-hand money column, the left-hand column being left blank, as in the first sale.

The rulings between the transactions are the same as in the journal.

When it is desired to post the footing of the sales book to the credit of the Mdse. account in the ledger, a single line is ruled underneath the amount of the last sale, and the sales added. The sales book is then ruled up, as shown in the model.

**Posting.** The separate amounts are posted to the debits of the separate accounts named, and the total is posted to the credit of Mdse. As each item is posted, the ledger page is entered in the L. F. column opposite the name of the account.

Note that in the model the L. F. column is not filled out. It is improper to insert the folios except at the precise moment the posting is done.

The terms of the sale to E. C. Judson, Feb. 5, were "Cash," and Mr. Judson paid the cash when he bought the goods. This could have been disposed of by an entry debiting the cash account, without showing Mr. Judson's name. But Mr. Stewart wishes all transactions with persons having accounts with us to show in the ledger. He therefore instructs that in a case of this kind you are to charge the amount of the sale to the customer in the sales book, just as if it were bought on account, and *at the same time give the customer credit in the journal* for the amount of cash paid. The effect of this plan, as you can see, will be that both the purchase and the payment will show in the customer's account in the ledger, the purchase being posted from the sales book, and the payment being posted from the journal. As the two entries just cancel each other, the balance of the customer's account stands unchanged after both are posted.

**Filing.** Place the invoice for the sale to Alkire in the outgoing papers section.

#### Transaction No. 42

February 4. Mr. Stewart hands you an invoice of Mdse. bought of the Eckhart & Swan Milling Co. (Incoming Paper No. 15.)

The terms of this bill are "On account."

**Bookkeeping.** Make the entry in the journal.

**Filing.** Place the bill with the "Invoices Payable."

#### Transaction No. 43

February 4. We sell to The Boston Bakery Co. on their fifteen-day note at 6%, 5 brl. Lincoln flour at \$5.25, and 145 bu. Standard oats at 70¢.

Make out an invoice (Our No. 13).

The Boston Bakery Co.'s note will be found in the pad of incoming papers (No. 16).

**Bookkeeping.** Make two entries, the first in the sales book, charging The Boston Bakery Co., and the second in the journal, giving them credit for the amount of the note.

**Filing.** Receipt the invoice by writing across its face at the bottom the words, "Paid by 15-day note Feb. 4, 19—. D. B. Stewart by (your name)." Deliver the received bill to The Boston Bakery Co. by filing it with the outgoing papers. File the note in the section marked "Cash Register and Notes Receivable."

#### Transaction No. 44

February 5. We sell to E. C. Judson, for cash, 136 bu. ear corn at 65¢ and 45 bu. No. 2 spring wheat at \$1.15.

**Billing.** Make out an invoice and receipt it.

**Bookkeeping.** As previously explained, we desire this transaction to show in Mr. Judson's account in the ledger. Two entries are necessary. The first is an entry in the sales book, charging Mr. Judson. The second is an entry in the journal, giving him credit for the cash he has paid.

Mr. Judson's check will be found in the pad of incoming papers (No. 17).

**Filing.** Deliver the received invoice to Mr. Judson by placing it in the outgoing papers section. Place the check received in the cash register.

#### Transaction No. 45

February 5. Deposit the check received to-day.

See instructions for depositing, given on Jan. 1.

Do not forget to endorse the check. Endorse it in blank.

Are you entering all deposits in your check-book stub?

#### Transaction No. 46

February 6. Receive \$45.00 in cash from the Austin Livery Co. on account.

Take \$25.00 from the outgoing papers section and \$20.00 from the currency envelope. Make out a receipt for \$45.00 "on account." Record the transaction on the receipt book stub.

Bookkeeping. Make a journal entry.

Filing. Place the cash in the cash register. Deliver the receipt by filing it with the outgoing papers.

#### Transaction No. 47

February 6. The Eckhart & Swan Milling Co. presents for payment to-day a note signed by Mr. Stewart. Mr. Stewart instructs you to compute the interest accrued on the note, and draw a check for the amount of the note and interest, which check he will sign.

Take the note from the outgoing papers section. Observe that it is dated ten days ago and bears 6% interest. The interest on \$300.00 for 10 days at 6% is 50¢. Draw a check for \$300.50.

Eckhart & Swan cancel the note thus: "Paid Feb. 6, with 50¢ interest. Eckhart & Swan Milling Co., by F. G." Your teacher will tell you how to secure this cancellation.

Bookkeeping. Make the journal entry.

Check-book Stub. Do not fail to deduct the amount of the check from the balance shown on the check-book stub.

Filing. Deliver the check by filing it with the outgoing papers. File the canceled note with the receipts.

#### Transaction No. 48

February 7. Mr. Stewart has arranged to receive from H. N. Alkire, his note at 30 days, bearing 6% interest, for \$783.00, the balance due on his last month's account.

The note is Incoming Paper No. 18.

Bookkeeping. Make a journal entry.

Filing. When you have examined the note carefully to see that it is correct in every particular, place it in the section where it belongs.

Search through the outgoing papers section until you find the bill or bills covered by the payment of \$783.00. Receipt it (or them) and replace in the same section of the file.

#### Transaction No. 49

February 7. Receive cash for 15 bbl. Best Baker's Patent flour at \$6.25 and 10 bu. ear corn at 62½¢.

The cash may be taken from the currency envelope. No invoice is to be made out.

Bookkeeping. Make an entry in the sales book.

Filing. Place the cash in the cash register.

#### Transaction No. 50

February 7. Make a deposit of \$100.00 in currency.

Mr. Stewart now suggests that you post all entries in both books, up to date.

## NOTES

Date Rec'd	Our No.	Maker or Acceptor (Payer)	In favor of (Payee)	Where Payable	Rec'd for	Date of Paper
19— Jan. 15	1	Austin Livery Co	D. B. Stewart	Maker's Office	On %	19— Jan. 15
Feb. 4	2	The Boston Bakery Co	D. B. Stewart	Union Trust Co	On %	Feb. 4
7	3	H. N. Alkire	D. B. Stewart	Maker's Office	Jan. Bal.	Feb. 7

Post all sales book entries. First, post all the debits, entering the ledger page in the L. F. column as each item is posted, and at the same time entering the sales book folio in the ledger thus: S. 1. Use the abbreviation "Mdse." as an explanation in each case. Do not post the footing of the sales book at this time.

Post the entries from the journal. Prove the cash.

Fill out **Students' Report No. 5**, all except the bank proof. Before handing it in, turn to the questions on page 52, and be able to answer them all satisfactorily. In answering the third question, remember the unposted total of the sales book.

## THE BILL BOOK

On February 3, Mr. Stewart bought a blank bill book. He now hands it to you with the remark that he would like you to keep in it a record of all notes received by us from others and issued by us to others, beginning with January 1. Before you can do this intelligently you will have to examine the book carefully and study the forms shown herewith.

**Nature of the Bill Book.** The bill book, or register of notes receivable and payable, is an *auxiliary* book. From the definition of this term, as given on a preceding page, you know that this means it is a book of memorandum. It is not a book of original entry; the original entries involving the receiving or issuing of notes are made in the journal or sales book (usually in the journal). It is not a book of final record; the book of final record is the ledger, in which are kept accounts with notes receivable and notes payable. The sole purpose of the bill book is to furnish a memorandum of facts in regard to the various notes receivable and notes payable, and especially to show when the notes fall due, so that they may be paid or collected, as the case may be, at the proper time.

Observe that the bill book is divided into two parts, one for notes receivable and one for notes payable.

## NOTES RECEIVABLE

In this book are recorded all notes which we receive from others and all facts pertaining to them. The record extends across two pages.

## NOTES

Date Issued	Our No.	Maker or Acceptor (Payer)	In favor of (Payee)	Where Payable	Given for	Date of Paper
19— Jan. 1	1	D. B. Stewart	Nat'l Cash Reg. Co.	Our Office	Cash Reg.	19— Jan. 1
Jan. 13	2	D. B. Stewart	Kemper Bros. Co.	Our Office	Mdse.	Jan. 13
Jan. 27	3	D. B. Stewart	Eckhart & Swan M.Co.	Our Office	On %	Jan. 27

## RECEIVABLE

Time	Rate of Int.	Year	When Due												Face	Disposed of			
			Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.		When	How	Int. Recd.	Amt. Recd.
Days																			
30	6%	19—		14											50 00				
15	6%	19—		19											127 75				
30	6%	19—			9										783 00				

Note No. 1. This note was received Jan. 15, and this date is written in the column headed, "Date received." It is No. 1 because it is the first note received. The next will be No. 2, and so on.

The maker was the Austin Livery Co., and their name is written in the column headed "Maker or Acceptor." (The word "Acceptor" is a term used in connection with drafts. You do not need to consider it at this time.)

The note was made in favor of D. B. Stewart. (In case it had been issued originally to some other person, from whom Mr. Stewart had bought it, that person's name would appear in this column.)

It is payable at the maker's office. All notes are payable at the office of the maker unless otherwise stated on the face of the note. Sometimes it is stipulated that a note is payable at a certain bank, or some other place where it is convenient for the maker to pay it. The payee must present it for payment at the place designated by the maker.

The fact that a note is payable at a certain bank merely indicates the place where it will be paid, and does not authorize the bank to pay it from the funds of the maker. The bank will not pay out any part of the balance of a depositor except on his express order.

Under the heading "Received for" is written the explanation of the existence of the note. In this case it was received on the account of the Austin Livery Co.

Date of paper. The date of Note Receivable No. 1 is Jan. 15, the same as the date when received. These two dates are not always the same. When we buy an old note, or when a note is dated ahead or dated back, these dates differ.

Time, 30 days. This time is added to the date of the paper to find the due date.

When due. Find the due date of the paper and write the day of the month in the proper square. Note Receivable No. 1 is due on Feb. 14, 19—.

The column headed "Face" is the last column filled out at the time the paper is received. The four right-hand columns will not be filled out until the note is paid.

Enter Note Receivable No. 1 as above described. Enter Note No. 2. This is the note received from The Boston Bakery Co. (Transaction No. 43.) Enter Note No. 3. This is the note received from H. N. Alkire on account on Feb. 7. (Transaction No. 48).

## PAYABLE

Time	Rate of Int.	Year	When Due												Face	Redeemed				
			Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.		When	How	Int.	Amt. Pd.	
30 Days	—	19—	31												225 00	Jan.	31	Ck. No. 6	—	225 00
15 Days	—	19—	28												455 00	Jan.	28	Ck. No. 5	—	455 00
10 Days	6%	19—	6												300 00	Feb.	6	Ck. No. 8	50	300 50

### NOTES PAYABLE

The memorandums kept for this book are similar to those kept for Notes Receivable. D. B. Stewart's name always appears as maker, however, in case of Notes Payable, whereas in case of Notes Receivable his name appears as payee, if it appears at all.

The three notes payable which Mr. Stewart issued during January are listed in this book as No. 1, No. 2 and No. 3. Observe that No. 1 was given for a cash register, No. 2 was given for Mdse. purchased, and No. 3 was given on account.

Fill out the data required for these three notes payable, referring to your journal for the facts. Observe that the four columns at the right, under the general heading, "Redeemed," are filled out for the three notes payable.

This brings your bill book up to date.

In future, make these memorandums in your bill book, making each at the time of making the original entry for the transaction in your journal or sales book.

#### Transaction No. 51

February 9. Mr. Stewart hands you an invoice of Mdse. received to-day from the Pillsbury-Washburn Flour Mills Co., on account (Incoming Paper No. 19).

Verify the extensions and footing.

Attend to the bookkeeping and filing as in previous similar transactions.

#### Transaction No. 52

February 10. We are handed a bill for drayage (Incoming Paper No. 20), which Mr Stewart instructs you to pay in cash.

Take \$10.00 from the cash register, and place it in the outgoing papers section, taking from the outgoing papers section a \$2.00 bill, which you will return to the cash register.

**Bookkeeping.** Make the proper entry in the journal.

**Filing.** The bill is already receipted. File it with the receipts.

#### Transaction No. 53

February 11. We sell to J. T. Hooper, 5365 S. 63d St., City, on account, 20 brl. Pillsbury's Best flour at \$6.80, and 25 brl. Lincoln flour, at \$5.20 per brl.

Make out an invoice, terms "On account."

**Bookkeeping.** Make the entry in the sales book. Write Mr. Hooper's address on the line with his name, writing in a small hand, so that the name, address, and terms may all be written on the same line.

**Filing.** Deliver the invoice in the usual manner.

#### Transaction No. 54

February 12. Receive cash for 10 brl. "XXXX Best" Patent flour at \$6.50 per barrel. The cash will be found in the envelope marked "Currency" (three \$20.00 bills and a \$5.00 bill). No invoice will be made out.

**Bookkeeping.** Make the entry in the sales book. (See the last transaction in the illustration.)

**Filing.** Place the money in the cash register.

## Transaction No. 55

February 14. Receive the Austin Livery Co.'s check for \$50.25, in payment of their note dated Jan. 15, \$50.00, with interest for 30 days at 6%, 25 cents.

The note is in the notes receivable section of the file. Cancel it and return it to the outgoing papers section.

This check is Incoming Paper No. 21. Detach it from the pad and verify the amount of interest.

## COMPUTING INTEREST

"Interest at 6%" means that six per cent of the face of the note must be paid every year by the maker to the payee for the use of the money which he owes to the payee. In this case, the Austin Livery Co. owes Mr. Stewart \$50.00, and must pay him at the rate of 6% per annum for interest on it.

6% of \$50.00 is found by multiplying \$50.00 by .06, or six hundredths.

\$50.00, face of note
.06, rate of interest
\$3.00 yearly interest

A year has 365 days (or 366). For purposes of rapid computation, an interest year is usually counted as 360 days, divided into 12 months of 30 days each.

6% per year is one-half of 1% every month, or 1% every 2 months.

The commonly accepted method of computing 6% interest is as follows:

Write the amount upon which interest is to be figured. Point off 1% of this amount by moving the decimal point two places to the left. This is the amount of interest for 2 months, or 60 days, at 6%. Using this as a basis, add to it or subtract from it whatever part of it is necessary to give the result for the required number of days.

In the above case, the interest on \$50.00 for 60 days at 6% is found by removing the decimal point two places to the left—\$0.50.

The interest for 30 days would be just half of this, or \$0.25.

**Bookkeeping.** Make the entry in the journal and record in the bill book the date the note was paid, the manner of payment, the interest, and the full amount received by us.

**Filing.** Place the check with the cash. Cancel the note and return it to the Austin Livery Co. by filing it again with the outgoing papers.

## Transaction No. 56

February 14. Deposit the check just received, and all but \$44.00 of the currency on hand. Endorse the check in blank. Enter the amount of the deposit on the stub of the check-book.

**Filing.** Place the deposit slip, check, and currency in the outgoing papers section of the file.

## Transaction No. 57

February 14. Your salary has not been paid for two weeks. Mr. Stewart pays you in cash, from the cash register, \$40.00.

**Bookkeeping.** Make the journal entry.

**Filing.** Take the \$40.00 from the cash register and place it with the outgoing papers.

Post all transactions up to date. First, post unposted sales book items, as described after Transaction 50. Do not post the footing of the sales book at this time; Mr. Stewart wishes this posted at the end of the month only, so that the sum posted will show the sales for the month in a single amount. Post the entries from the journal. Prove the cash.

Student's Report No. 6 should be made out at this time. Do nothing with the bank proof. After filling out the report, refer to the questions on page 52, as usual. If you can answer them all satisfactorily, hand in your report.

Take a trial balance. In order to secure a balance, it will be necessary to include the total of sales to date as a credit. Add the sales book, placing the total just underneath the last sale in small lead pencil figures. Include this amount in the trial balance, using the explanation, "Footing of sales book—not posted."

#### Transaction No. 58

February 16. E. C. Judson purchases on account, 10 brl. Lincoln flour at \$6.50 and 100 bu. No. 2 spring wheat at \$1.15.

Make out an invoice in the usual way.

Bookkeeping. Enter the sale in the sales book. Rule a single red line under the entry, as in the journal.

Filing. Place the invoice with the outgoing papers.

#### Transaction No. 59

February 17. The Boston Bakery Co. has sent us a 10-day note to cover last month's balance. The note bears 6% interest.

This is Incoming Paper No. 22. Detach it from the pad and examine it carefully.

Bookkeeping. Make the journal entry. Also fill out the bill book record. (This is Note Receivable No. 4.)

Filing. Notes receivable are kept with the cash.

Take from the outgoing papers section the bill or bills covered by this note, write a proper receipt upon them, and return them to the same section of the file. Remember that \$20.00 has already been paid on one of these bills.

#### Transaction No. 60

February 18. H. N. Alkire purchases on account, 40 brl. Bohemian Rye flour at \$6.00 per barrel and 60 bu. ear corn at 70¢.

Proceed as in previous similar transactions.

#### Transaction No. 61

February 18. Mr. Stewart suggests that The Eckhart & Swan Milling Co. should be paid the balance due them on last month's account.

Ascertain what this amount is and write a check, which Mr. Stewart will sign. Take from the "Invoices Payable" section the bill covered by this payment.

Bookkeeping. Make the entry in the journal. Do not forget the record which should be made on the check-book stub.

Filing. Attach the check to the invoice and mail by placing them in the outgoing papers section.

#### Transaction No. 62

February 19. Receive The Boston Bakery Co.'s check for \$128.07 in payment of their note of Feb. 4, for \$127.75 with 6% interest for 15 days.

The check is Incoming paper No. 23. Detach it from the pad and ascertain whether the interest has been correctly computed. If so, cancel the note. In computing interest, bear in mind that 15 days is  $\frac{1}{4}$  of 60 days.

**Bookkeeping.** Make the entry in the journal and fill out the last four columns in the bill book. See transaction No. 55.

**Filing.** The check belongs in the cash register. The canceled note should be returned to the makers (by being filed with the outgoing papers).

#### Transaction No. 63

February 19. Deposit the check just received. Do not fail to endorse it. Remember to enter the deposit on the check-book stub.

**Filing.** The check and deposit slip are, of course, both filed with the outgoing papers.

The Eckhart & Swan Milling Co. returns, marked "Paid," the invoice for which we sent our check yesterday. Take the bill from the outgoing papers section, have it canceled thus: "Paid, Feb. 18, 19—. Eckhart & Swan Milling Co., by M. N." and file it with the receipts.

#### Transaction No. 64

February 20. Mr. Stewart remarks that the bill of The Macey Co. should be paid at once. It has already remained unpaid too long. Ascertain the amount due them.

Take their bill for furniture sold us on Jan. 1 from the unpaid invoices file.

Mr. Stewart instructs you to pay this bill as follows: Give The Macey Co. an order on E. C. Judson for \$130.00, which amount he owes us; and our check for the remainder.

Refer to the ledger and you will find that E. C. Judson owes Mr. Stewart \$130.00 for goods bought Jan. 20. Mr. Stewart has a right to ask Mr. Judson to pay this. He therefore instructs you to write Mr. Judson a letter requesting him to pay the \$130.00 to The Macey Co.

Make out a check for \$36.50, in favor of The Macey Co. Mr. Stewart will sign it.

**Bookkeeping.** Charge The Macey Co. \$166.50; for we have settled with them for the entire bill. Credit cash paid out, \$36.50. Credit E. C. Judson \$130.00, just the same as if he had paid us direct.

Deduct the amount of the check from the check-book stub.

**Filing.** Mail the letter and the check both to The Macey Co. by placing them with the outgoing papers. The Macey Co.'s bill should be sent along with the remittance, so that they can receipt and return it.

The letter instructing E. C. Judson to pay The Macey Co. was mailed to The Macey Co., *not to Mr. Judson*. The reason for this is obvious. The Macey Co. will take the letter to Judson when they go to collect the money.

This order if written out in form would be called a draft on E. C. Judson. The student is not expected to prepare a draft in formal manner at this time. More will be said of drafts later.

#### Transaction No. 65

February 20. We sell to the Austin Livery Co., on account, 100 bu. Standard oats at 72½¢ and 100 bu. ear corn at 62¢.

**Forwarding the Footing of the Sales Book.** This is the last item which can be written on page 1 of the sales book. Rule a single line of addition, and add the column. Opposite

the footing write the word "Forwarded." Write the amount at the top of page 2, on the first line, and write opposite this the words "Brought Forward."

#### Transaction No. 66

February 21. Mr. Stewart instructs you to send our 30-day note for \$950.00 at 6% interest, to the Eckhart & Swan Milling Co., to cover their bill of Feb. 4.

Detach a note from the pad of blank notes and fill it out as Mr. Stewart has instructed you. Do not forget to make a proper record on the stub of the book of blanks.

**Bookkeeping.** Make the entry in the journal, and fill out the record of the note in the bill book. (This is Note Payable No. 4.)

**Filing.** Deliver the note to Eckhart & Swan by placing it with the outgoing papers. Take the invoice from the "Invoices Payable" section, have their receipt written upon it, and file with the receipts.

The Macey Co.'s bill for \$166.50 has been returned marked "Paid." Take it from the outgoing papers section and have their receipt written upon it.

Post to date and make out **Student's Report No. 7.** Can you answer satisfactorily the questions on page 52? If so, hand in the report.

#### Transaction No. 67

February 23. We sell to The Boston Bakery Co., on account, 100 bu. No. 2 spring wheat at \$1.20 and 20 brl. XXXX Best Patent flour at \$6.50.

#### Transaction No. 68

February 23. J. T. Hooper purchases on account, 200 bu. Standard oats at 66 $\frac{3}{4}$ ¢ and 10 brl. XXXX Best Patent flour at \$6.50.

Are you filling out invoices neatly and in your very best handwriting? Remember that a great deal depends on the care with which you do your work. Neat, careful work is not only more creditable to you, but lessens the likelihood of error.

#### Transaction No. 69

February 24. Mr. Stewart instructs you to remit to the Pillsbury-Washburn Flour Mills Co., in payment of their last bill, as follows: Send them our 60-day note for \$500.00, dated Feb. 9, the date of the bill bought of them, and bearing 6% interest; and our check for the balance of the bill.

**Bookkeeping.** Make the entry in the journal and in the bill book. Do not forget to deduct the amount of the check from the balance shown by the check-book stub. The note issued is Note Payable No. 5.

**Filing.** The note, the check, and Pillsbury-Washburn's invoice (which you will take from the "Invoices Payable" section) are to be fastened together and mailed.

#### Transaction No. 70

February 24. We sell to the Austin Livery Co., on account, 50 bu. No. 2 spring wheat at \$1.15 and 40 bu. ear corn at 65¢.

## Transaction No. 71

February 25. J. T. Hooper has sent us his check for \$266.00 in payment of his bill of Feb. 11. The check is Incoming Paper No. 24.

Take the bill from the outgoing papers section, write a receipt at the bottom, and return it to the same section.

**Bookkeeping.** Make the journal entry.

**Filing.** Place the check in the cash register.

## Transaction No. 72

February 25. H. N. Alkire purchases on account, 40 brl. Pillsbury's Best at \$6.90.

## Transaction No. 73

February 25. Deposit the check you received today. Do not forget to endorse it. Add the amount to the balance shown on the check-book stub.

## Transaction No. 74

February 26. During the past few weeks Mr. Stewart has made a number of small expenditures, taking the money from his own pocket from time to time. These items amount to \$15.00, and Mr. Stewart requests you to give him a check for this amount, charging Expense.

When a depositor wishes to withdraw cash from his bank account, it is customary to draw a check in favor of "Currency." He presents this check at the bank and receives cash in exchange for it. A check so made out is payable to bearer, and no endorsement is necessary to complete the authorization to the bank to pay it. Yet most banks, though fully empowered to pay such a check to any bearer, will nevertheless require the person receiving the money to write his name on the back as a matter of information, especially if he is not known at the bank.

Sometimes the depositor draws the check in favor of "Self" or "Myself," in which case his endorsement is necessary before the check will be paid. This is a good plan when the drawer expects to carry the check about with him for some time before presenting it to the bank for payment.

The check you are to make out will read:

No. 12

Chicago, February 26, 19\_\_\_\_

**MERCHANTS EXCHANGE BANK**

Pay to the order of \_\_\_\_\_ *Currency* \$15.00

*Fifteen and  $\frac{00}{100}$*  Dollars

*D. B. Stewart*

**Bookkeeping.** Your journal explanation for this entry should be: "Paid to D. B. Stewart for sundry petty expenses."

**Filing.** Place Check No. 12 with the outgoing papers.

The Pillsbury-Washburn Flour Mills Co. has returned the Feb. 9 invoice marked, "Feb."

24, 19.— Rec'd note \$500.00; cash \$610.00. Pillsbury-Washburn Flour Mills Co., by D. F." (Have this done for them.) File it with the receipts.

**Transaction No. 75**

February 26. Receive \$282.00 in cash from H. N. Alkire, in settlement of his bill of Feb. 18. (Take \$232.00 from the currency envelope and \$50.00 from the outgoing papers section of the file.) Make the bookkeeping entry and file the \$282.00 in the cash register.

**Transaction No. 76**

February 26. Deposit \$200.00 cash.

Are you remembering to add deposits to the balance of the check-book stub?

**Transaction No. 77**

February 27. We sell to The Boston Bakery Co., on account, 20 brl. Bohemian Rye flour at \$6.30 and 40 bu. ear corn at  $62\frac{1}{2}$ ¢.

**Transaction No. 78**

February 27. Receive The Boston Bakery Co.'s check for their note of Feb. 17, due to-day, \$565.25, and interest for 10 days at 6%, 94 cents. Amount of check, \$566.19.

This is Incoming Paper No. 25.

Verify the interest.

Bookkeeping. Make the proper entry in the journal and the requisite notations in the bill book.

Filing. Take the note from the cash register, cancel it, and mail by placing it in the outgoing papers section.

File the check in the cash register.

**Transaction No. 79**

February 27. Deposit the check last received.

**Transaction No. 80**

February 28. Your own salary for two weeks is now due. This is paid in cash. Did you endorse the check deposited yesterday?

**THE BANK STATEMENT**

February 28. The bank clerk returns to you checks No. 6, 7, 8, 9, 10, 11, and 12, canceled, together with a bank statement (Incoming Paper No. 26).

Take the seven checks from the outgoing papers section of the file and have them endorsed by the proper parties and canceled by the bank, as on Jan. 31.

Since all the checks have been paid by the bank, the balance shown by the bank statement should exactly agree with the balance shown by your check-book stub. Does it?

**Note.** This is an unusual condition. There are usually some outstanding checks, so that it is necessary to reconcile the check-book balance and the bank statement by means of a bank proof.

Post the sales book and journal to date. After all sales book items have been posted separately as debits, rule and add, and post the total to the credit of Mdse. Write opposite the total in the sales book, "Mdse. Cr. for total," and enter the ledger page in the L. F.

column. As an explanation in the ledger, write "Sales total," and enter the sales book page in the folio column. Use the date Feb. 28 in both sales book and ledger.

Prove your cash.

Make out Student's Report No. 8. Do not fail to fill out the spaces for the bank proof.

**Inventories, February 28:**

Furniture and Fixtures,	\$ 380.00
Merchandise,	1339.50
Interest accrued on H. N. Alkire's note of February 7, in our favor, 21 days at 6%,	2.74
Interest accrued on our note of Feb. 21, in favor of the Eckhart & Swan Milling Co., 7 days at 6%,	1.11
Interest accrued on our note issued Feb. 24, in favor of the Pillsbury-Washburn Flour Mills Co., dated Feb. 9, 19 days at 6%,	1.58

The inventory of interest accrued on Alkire's note in our favor is a resource to us. The amounts of interest accrued on notes which we owe are liabilities to us.

Take a trial balance. Prepare a financial statement and a loss and gain statement. In computing the gain on interest add the resource inventory to the credits, and add the liability inventory to the debits. In making the financial statement, remember to include these inventories.

Close the ledger accounts. First close all financial accounts. They will close with the balances shown in the financial statement. Then close the loss or gain accounts into the loss and gain account. These will close with the results shown in the loss and gain statement. In closing the interest account, remember that it has a resource inventory and two liability inventories. These must all be entered in red ink, the resource with the gains (credit side) and the liabilities with the losses (debit side). After the account is closed with a gain, these three inventories must all be brought down separately.

Close the proprietor's account.

When all accounts have been closed, and balances and inventories properly brought down, take a balance of the balances. This balance of balances should check in detail with the assets and liabilities shown in the financial statement.

Prepare a stock record for February. Allow lines for each item as follows:

	Lines		Lines
Pillsbury's Best flour,	2	Ear corn,	6
Best Baker's Patent flour,	2	No. 2 spring wheat,	4
Lincoln flour,	3	XXXX Best Patent flour,	3
Standard oats,	3	Bohemian Rye flour,	2

First: Enter the quantities on hand Feb. 2, at the latest prices paid, as follows: Pillsbury's Best flour, 15 brl. at \$5.70; Best Baker's Patent flour, 20 brl. at \$5.20; Lincoln flour, 20 brl. at \$5.40; Standard oats, 645 bu. at 52¢; ear corn, 386 bu. at 48¢; No. 2 spring wheat, 295 bu. at 91¢.

Second: Enter all quantities purchased in February, as ascertained from the invoices.

Third: Enter all quantities sold, as ascertained from the sales book items.

Last: Subtract the quantities sold from the quantities purchased, and multiply by the purchase prices. The total of this list should agree with the Mdse. inventory given in the book.

**Bill Book Proof.** Test the accuracy of the bill book records by checking the items in the bill book with those shown in the ledger. The items of notes receivable should exactly correspond with the items on the debit side of the notes receivable account, while the items marked in the notes receivable book as disposed of should all appear on the credit side of the notes receivable account in the ledger. Similarly, the items shown in the notes payable book should exactly agree with the credits of the notes payable account in the ledger, and those items marked in the book as paid should check with the debit side of the notes payable account.

Hand in your files to your teacher, who will examine their contents and return the empty files to you to be used for your next month's business.

#### Supplementary Exercises

By inspection of the following entries, determine what was the transaction in each case:

Jan. 19—

1. Cash	9. Cash	17. Real Estate
Proprietor	John Smith	Notes Pay.
2. Mdse.	10. Mdse.	Cash
Cash	Notes Pay.	Geo. Brown
3. John Smith	11. Notes Rec.	18. Mdse.
Mdse.	John Smith	Notes Rec.
4. Cash	12. Cash	Notes Pay.
Mdse.	Mdse.	Ed. Gray
5. Notes Rec.	13. Notes Rec.	19. Geo. Brown
John Smith	Interest	Cash
7. Cash	14. Proprietor	20. Ed. Gray
Notes Rec.	Cash	Mdse.
8. Notes Rec.	15. Notes Pay.	
Mdse.	Interest	
	Cash	

#### Proprietary Investments

Mr. Stewart's investment January 1 consisted of \$10,100.00 in cash. You debited cash and credited D. B. Stewart for the amount. Had the investment consisted of several items, several accounts would have been debited and Mr. Stewart credited for the total, thus:

		Cash . . . . .	10,000	00		
		Mdse. . . . .	5,000	00		
		Real Estate . . . . .	5,000	00		
		D. B. Stewart . . . . .			20,000	00

A proprietor often brings into the business liabilities as well as assets. In this case, the separate liabilities should be credited to the proper accounts and the proprietor debited for the total. Thus, if Mr. Stewart had owed \$5,000.00 on a note and had owed John Jones \$5,000.00 at the time of starting business, and the business had assumed these liabilities, the following entry would have been made:

		D. B. Stewart . . . . .	10 000	00		
		Notes Payable . . . . .			5,000	00
		John Jones . . . . .			5,000	00

**Note.** You must remember that you have not been keeping the books of Mr. Stewart, but of the

*flow and feed business* which Mr. Stewart owned and conducted. Mr. Stewart's entire resources may or may not have been invested in this business. As a matter of law, all of a man's property is liable for the debts of his business; but as a matter of bookkeeping, the investment consists of just what he puts in the business. He may conduct a number of businesses, with a different investment for each one.

When a proprietary investment consists of both assets and liabilities, sometimes one journal entry is made instead of two. The assets are listed as debits, and the liabilities as credits, the proprietor's account being credited for the difference. This last amount appears as the last liability in the list, making the assets equal to the liabilities, in conformity to the rule requiring equal debits and credits for every journal entry. Thus the two entries above could be combined in one entry, as follows:

	Cash . . . . .		10,000	00		
	Mdse. . . . .		5,000	00		
	Real Estate . . . . .		5,000	00		
	Notes Payable . . . . .				5,000	00
	John Jones . . . . .				5,000	00
	D. B. Stewart . . . . .				10,000	00

It will be seen that Mr. Stewart's investment, as shown by the last entry, is the difference between his credit shown in the first entry and his debit shown in the second entry.

In case the proprietor makes a further investment at any time, he is credited with it by the business, just as the business would credit any other person for what that person produced. Should he make a withdrawal, he would be debited on the books of the business, just as any other person would be debited who cost the business something. If a private debt of the proprietor should be paid or assumed by the business at any time, it would be treated as a withdrawal.

Journalize the following, using loose sheets of paper:

19—

Feb. 1. Geo. E. Matthews commenced business with the following: Cash on hand, \$1,800.00; Mdse, \$3,400.00; E. R. Munger's note for \$600.00; John Johnson owes on account, \$150.00.

Feb. 5. E. M. Price owed, on commencing business: E. C. Conway, on note, \$450.00; B. F. Mills, on account, \$180.00.

Feb. 10. J. H. Purcell commenced business with the following assets: Mdse. on hand, \$1,800.00 cash in bank, \$750.00; store and lot valued at \$2,000.00. His liabilities were: C. Baine, on note, \$400.00; Henry Munson, on account, \$80.00.

Debit the assets, credit the liabilities, and credit J. H. Purcell with the difference to balance the entry.

Feb. 12. J. H. Purcell has this day paid in cash from the cash register, grocery bill for family, amounting to \$35.00.

Feb. 13. J. N. Parker's assets at the time of commencing business, which he invested in the business, were: Cash, \$3,500.00; merchandise, \$4,800.00; sundry persons' notes, amounting to \$1,250.00; and an account against John D. Cooper for \$675.00. His liabilities, which were assumed by the business, were: Outstanding notes amounting to \$1,875.00, and an account due Geo. W. Porter for \$250.00.

Feb. 15. J. N. Parker has paid cash from the cash register for new suit of clothes, for personal use, \$40.00.

Feb. 16. Geo. M. Peters commenced business with cash on hand, \$250.00; deposit in First National Bank, \$1,700.00; eight shares C., B. & Q. R. R. stock, at \$100.00 per share, \$800.00; merchandise, \$4,000.00. He also invested the store building on Main Street, worth \$7,000.00, upon which there was a mortgage note of \$1,000.00 favor G. Mason, with \$25.00 interest due on it. He owed Geo. Hainline, on account, \$760.00, and this was assumed by the business.

The mortgages payable account is handled in the same way as the notes payable account.

Feb. 17. Geo. M. Peters has taken from the cash drawer, for personal use, \$20.00.

Feb. 18. Geo. M. Peters having received a legacy of \$360.00 in cash from a deceased parent, has invested it in the business.

Feb. 19. M. L. Smith has to-day invested in business as follows: Cash, \$4,000.00; stock of Mdse., \$5,270.00; note signed by Mead & Coe, \$250.00; and an account against Geo. Waters, \$87.50.

Feb. 20. G. W. Brown has to-day begun business. His investments are: Cash, \$2,500.00; Mdse., \$3,465.20; store and lot, valued at \$5,500.00; and an account against Jos. Leiter, \$149.65. His debts, which are assumed by the business, are: His note in favor A. L. Hill, \$500.00; an account due G. M. Wilcox, \$240.00.

Feb. 21. H. L. Gray begins business to-day with the following investments: Cash, \$1,400.00; note signed by R. H. Perkins, \$100.00; interest accrued on foregoing note amounting to \$4.33. He owes Henry Patterson, on account, \$100.00; he owes S. K. Willis, on note, \$450.00; interest accrued on foregoing note for two months at 6%, \$4.50.

Feb. 22. B. C. Dalton and E. F. Gaines have to-day engaged in business as partners. Mr. Dalton invests: Cash, \$245.65; Mdse., \$6,540.26; store and lot worth \$4,000.00; furniture and fixtures valued at \$325.00. He owes Newman & Co. \$650.00, on account, and has signed a note in favor of Strickland & Co. for \$650.00, on which interest to the amount of \$7.90 has accumulated. Mr. Gaines brings into the business: Cash, \$4,500.00; an account against James Ford for \$720.65; and a note signed by Waller & Co. for \$2,000.00, on which interest has accrued for one year at 5%. Make separate entries for the two partners.

Feb. 23. Settled our account with Jarvis & Whitman. Amount due them, \$1,260.00. Gave them a note which we hold against R. W. Munger for \$500.00, on which \$10.00 interest has accrued; our own note for \$400.00; and cash for the balance.

Feb. 24. Received from P. M. King, in settlement of his account of \$350.00, the following items: One second-hand typewriter, \$50.00; an account of \$50.00 against Belknap & Co., which he transfers to us; a note against E. B. Hamilton, \$150.00 plus interest for six months at 6%; and cash for the balance.

Feb. 25. Bought from K. V. Handley, Mdse. amounting to \$500.00. Gave him in exchange a note signed by C. C. McLain for \$250.00, and an account against E. M. Goltra for \$250.00.

Feb. 26. Parker Doane, of Jacksonville, Ill., owes us \$100.00. We owe Henry English, of Jacksonville, Ill., the same amount. We write an order on Parker Doane for \$100.00, payable to Henry English, and send the order to English. When Doane pays English the \$100.00, Doane's debt to us is settled. Make the entry.

Feb. 27. A bank collector calls upon us to-day, presenting an order from H. M. Wright for \$150.00. We ascertain from our books that we owe Wright \$150.00, and pay the \$150.00 in cash to the bank collector. Make the journal entry just as if we had paid the cash to Mr. Wright direct.

Feb. 28. We owe Fullenweider & Co. \$180.00. They send a representative to call upon us, who produces a note promising to pay Fullenweider & Co., \$180.00, which he asks us to sign. We sign the note and deliver it to him. Make the entry.

**REVIEW QUESTIONS.** 1. What class of transactions are entered in the sales book? 2. Describe the sales book as to form. 3. How is the sales book posted from? 4. Show how the principle of equal debit and credit is preserved in posting from the sales book. 5. How is the labor of posting lessened by the use of the sales book? 6. What other advantages does the use of a sales book present? 7. When a sales book and journal are kept, which should be posted from first? Why? 8. Assume that a regular customer buys Mdse for cash. What entries will be made? 9. In the foregoing case, could the transaction have been disposed of by one entry? Why would this have been less satisfactory? 10. What is the purpose of the Notes Receivable book? Describe the book. What would you call its most important feature? 11. Answer the foregoing questions as to the Notes Payable book. 12. Are the bill books books of original entry? Of final entry? If neither of these, what are they? Why? 13. How should the accuracy of the bill books be tested? 14. How should a depositor proceed to withdraw cash from his bank account?

## THE CASH BOOK

This section is to be thoroughly mastered before the work of Chapter IV is attempted.

At the beginning of your study of this text you learned that books were classified as to the nature of the entries made in them into books of original entry, books of subsequent or final entry, and auxiliary or memorandum books.

The first book of original entry you used was the journal. All debits and credits were entered in this book, as you first used it. You next learned the use of the sales book. You were taught to enter all sales of merchandise in this book, omitting these transactions from the journal. You will now learn to use the *Cash Book*. All transactions involving debits and credits of cash are entered in the cash book at the time of their occurrence and are omitted from the journal.

When cash is received an entry is made on the debit side of the cash book at once. The name of the account which should be credited is entered in the explanatory column, and the entry is later posted to the credit of that account in the ledger.

When cash is paid out, an entry is made on the credit side of the cash book at once. The name of the account to be debited in the same transaction is written in the explanatory column and the entry is later posted to the debit of that account in the ledger.

Since the debits of cash are posted to the credit side of the ledger and the credits of cash are posted to the debit side of the ledger, it follows that if total debits and total credits of the cash book be included in the trial balance the rule of equal debits and credits will have been preserved.

The preceding three paragraphs may not seem perfectly clear to you. Study carefully the illustrative exercise, illustration, and explanation which follow; then return to the three paragraphs referred to, and their meaning will be clear.

### ILLUSTRATIVE EXERCISE:

19—

- Jan. 1. H. T. Patten invested cash in the business, \$4,000.00.
2. Paid for rent of store for January, \$80.00.
3. Gave J. E. Thompson our check for goods bought yesterday, \$1,000.00.
4. Received from E. B. Dorsey cash on account, \$175.50.
5. Paid the clerk's salary for the week in cash, \$12.00.
7. Received F. R. Hoppe's check for Mdse. sold him Jan. 4, \$125.00.
8. Paid the janitor's wages, \$7.50.
9. Received cash from G. M. Baker for his note of Jan. 4 in our favor, \$250.00.
10. Paid cash to J. B. Williams on account, \$85.00.
12. Paid cash to E. D. Woods for our note in his favor, dated Dec. 28, 19—, \$200.00, and interest for 15 days at 6%, .50 (two entries).
15. Bought a Mosler safe for \$150.00 cash.

### EXPLANATION: (See form on pages 88 and 89)

The cash book extends across two pages, a left and a right. These two pages are used in the same way as the two sides of a ledger account; i. e., the left-hand page is for the debits and the right-hand page is for the credits. Note that the left-hand page and the right-hand page bear the same page number.

1.  
19-

## Cash Dr.

Date	Dr.	Account Credited	Explanation	Debits	Total
Jan. 1		N. T. Patten	Investment	4000	
4		E. B. Dorsey	On account	175.50	
7		F. R. Hoppe	Invoice of Jan. 4	125	
9		Notes Receivable	G. M. Baker - Jan. 4	250	
15			Total receipts		4550.50
					4550.50
Jan. 16			Balance		3015.50

At the top of each column in the illustration the purpose of the column is stated, in parenthesis. Trace the entries from the illustrative exercise to the illustration (twelve entries) and then make them on a double sheet of paper, without reference to the illustration. Do not rule up or attempt to balance the cash book until instructed to do so.

If the four entries on the debit side of the cash book were each journalized, they would be as follows:

JANUARY 1, 19-

		Cash	H. T. Patten	4,000.00	4,000.00
			4		
		Cash	E. B. Dorsey	175.50	175.50
			7		
		Cash	F. R. Hoppe	125.00	125.00
			9		
		Cash	Notes Rec.	250.00	250.00

## Cash Cr.

1.

Date	L.F.	Account Debited	Explanation	Debits	Total
Jan. 2		Expense	Rent of store for Jan.	80	
3		J. E. Thompson	Invoice of Jan. 2	1,000	
5		Expense	Clerk's salary for the week	12	
8		Expense	Janitor's wages	7.50	
10		J. B. Williams	On account	85	
12		Notes Payable	E. D. Woods - Dec. 28, 19-	200	
12		Interest	On above 15 ds. 6%	50	
15		Furniture & Fix.	Mosler safe	150	
15		Total payments			153.5
15		Balance (Red Ink)			3,015.50
					4,550.50

Note that cash has been debited each time. If these were condensed into one entry, that entry would be:

		Cash		4,550.50	
		H. T. Patten			4,000.00
		E. B. Dorsey			.175.50
		F. R. Hoppe			125.00
		Notes Rec			250.00

It is apparent that if the four items be separately posted from the cash book to the credit side of the ledger and the total appear in the trial balance as a debit of cash, the rule of equal debits and credits will have been observed, and the condition of the ledger after this posting has been done will be the same as if the transactions had been handled through the journal. For the purposes of taking a trial balance, however, the footing need not be actually posted to the ledger, provided it be included in the trial balance.

If you will study again the third, fourth and fifth paragraphs of this section they should now be perfectly clear to you.

Journalize the separate entries on the credit side of the cash book as shown above for the debit side. Condense these separate entries into a single entry.

## CLOSING THE CASH BOOK.

The cash book is balanced as follows: The Items column is ruled up on each side, and added, the total being placed in the Total column on the first blank line. The balance is ascertained and written on the credit side just below the total of payments. It is dated as of the last business day. A single line is ruled just below and across the Total column only. On the same line with this, a single line is ruled across the Total column of the debit side. (If the debit side should have more items than the credit side, this line would be ruled just beneath the total on the debit side, and the ruling on the credit side would be made just opposite it, a few lines being left blank on the credit side.)

The total of the debit side is then brought down beneath the last line ruled, and on the credit side the balance is added to the total and their sum is written beneath the line. The debit and credit footings are now equal. A double line is ruled under the footings, extending across all but the explanatory columns, and the balance is brought down on the debit side, *in the Total column*. The balance thus brought down is dated as of the next business day. The next time the book is balanced the balance must be added to the total receipts to give the debit footing.

The final result would be the same even if the balance were brought down into the wrong column on the debit side. But if the balance were brought down into the Items column it would be added into the footing of that column. The footing would then not represent the total of receipts since the last closing only, as it should. It is particularly important that the receipts should be shown as separate from the previous balance when a cash account is kept in the ledger to which footings are posted, as is sometimes the case; for if the total posted should include anything besides the items for which credits have been passed to the ledger, the ledger would be thrown out of balance.

## EXERCISES ON THE CASH BOOK

## EXERCISE I

Write a cash book for the following transactions:

19—

- Feb. 1. E. S. Conway invested in business cash, \$3,500.00.
2. Paid Jacob Reis & Co. \$850.50 for Mdse. bought Feb. 1.
3. Paid rent for February in cash, \$50.00.
4. Received J. E. Baker's check for \$45.17 for Mdse. sold him on the 2d inst.
5. Bought an office desk and chair for \$23.75 in cash.
6. Paid the clerk's salary for the week, \$8.50.
8. Received \$147.63 in cash from M. W. Hopper for Mdse. sold him yesterday.
9. Received from J. E. Baker on account, \$10.00.
10. Redeemed our note in favor of L. E. Rockwell. Face of note, \$100.00.  
Interest accrued, 15 days at 6%, 25c. (Make two entries on the credit side of the cash book, the first debiting Notes Payable, the second debiting Interest.)
11. Received a check from M. W. Hopper for \$27.50 in payment for Mdse. invoiced to him on Feb. 8.
12. E. W. Wilson's note in our favor fell due this day. Received cash for the note, \$57.50, and interest, 20c. (Two entries, as in transaction on Feb. 10.)

Feb. 13. Gave Jacob Reis & Co., our check for \$140.00 for Mdse. bought of them on Feb. 11.

13. Paid the salary of the clerk as on Feb. 6.

Post the entries to the ledger. Put five accounts on each page.

Take a trial balance, which must include the debit and credit footings of the cash book. When this has been approved, close your cash book.

#### **EXERCISE II**

Work out the following set without business papers.

Books used: Journal, cash book, sales book and ledger.

Open the following accounts in the ledger, in the order named. Give each account one line for the heading, one line for the top ruling, and the number of lines indicated.

C. D. Brammer, one half page; Furniture & Fixtures, one half page; Merchandise, 21 lines; Interest, 12 lines; Expense, 20 lines; Loss & Gain, 14 lines; Notes Receivable, 6 lines; W. H. Henry, 11 lines; M. J. Morrissey, 14 lines; J. E. Allen, 6 lines; G. W. McHenry, 6 lines; A. T. Scovill, 7 lines; Notes Payable, 10 lines; W. T. Smith & Son, 6 lines; Marshall Field & Co., 8 lines; Farr & Bailey, 9 lines; Roxbury Tapestry Co., 6 lines.

In opening ledger accounts, it is customary to observe a regular arrangement, which usually is as follows: The proprietary account or accounts, loss or gain accounts, notes and accounts receivable, notes and accounts payable. The reason for this is apparent, as the accounts on the first pages of the ledger under this arrangement are those more permanent in their nature, while the accounts receivable and payable are subject to constant change.

#### **Transactions**

19—

March 1. C. D. Brammer has engaged in business at 1260 State St., Chicago, Ill., with a cash capital of \$3,750.00.

March 1. Bought furniture and fixtures for the office and storeroom, \$120.00, paying for them in cash.

March 1. Paid rent for March in cash, \$75.00.

March 2. Opened an account with W. T. Smith & Son, textile manufacturers, Philadelphia, Pa. Bought of them on credit 12 Axminster rugs, at \$10.00 each; and 15 oriental rugs, at \$15.25. (Make an entry in the journal.) Paid freight in cash, \$10.75. (Debit Mdse.)

It is a matter of some contention among bookkeepers whether to charge freight to Mdse. or to Expense. The usual rule is to debit Mdse. with such items, on the theory that the cost of merchandise is the amount the proprietor must part with in order to get the goods into the storeroom; this would include freight charges. Some bookkeepers, however, prefer to charge Mdse. with only its net cost, charging freight to Expense, or, if it seems desirable to keep a record of the exact cost of freight, charging it to a special account called *Freight*. When no account is kept with Freight, freight items must be charged to either Mdse. or Expense. You will debit Mdse. as above instructed.

March 3. Sold to W. H. Henry, 1264 Harvard Ave., for cash, 1 Axminster rug, \$15.00, and one oriental rug, \$20.75.

Charge W. H. Henry in the sales book for the goods he purchased, and give him credit through the cash book for the amount of his payment. These items when posted will balance each other, but the entire transaction will then show in the ledger.

March 4. Bought of Marshall Field & Co., 124 Fifth Ave., City, 250 yds. Jap matting,

at  $17\frac{1}{2}$ c per yard. Paid the bill in cash. (Make two entries, one in the journal, and one in the cash book.)

March 5. Sold to M. J. Morrissey, Austin, Ill., on account, 2 Axminster rugs, \$14.50 and \$17.00; and 26 yds. Jap matting at 28c per yd.

March 6. Paid the bookkeeper's salary in cash, \$12.50.

March 8. Sold to W. H. Henry on his 15-day note bearing 6% interest, 3 oriental rugs at \$20.00, \$21.00, and \$22.00 respectively; and 75 yards Jap matting, at 27c. (Make the charge through the sales book. Give credit through the journal.)

March 9. Bought of Farr & Bailey, 629 La Salle St., City, on account, 75 yds. linoleum, 4 yds. wide, 300 sq. yds. at 32c per sq. yd.

March 10. Sold to J. E. Allen, 6250 Cottage Grove Ave., on account, 48 yds. Jap matting at 28c; and 20 sq. yds. linoleum, at 45c.

March 11. Sold to M. J. Morrissey for cash, 6 rugs, at \$15.00, \$17.00, \$17.50, \$18.00, \$19.00 and \$22.50 respectively; and 100 sq. yds. of linoleum at  $42\frac{1}{2}$ c. (Make two entries as in the transaction on Mar. 3.)

March 12. Bought of the Roxbury Tapestry Co., Roxbury, Mass., 3 dozen assorted velvet rugs, at an average price of \$18.75 each; and 1 doz. 9x12 Royal Wilton velvet rugs, at \$33.00 each. Gave them our note at 30 days without interest for the amount of the invoice. (Make two entries, both in the journal.) Paid the freight in cash, \$16.50.

March 13. Paid the bookkeeper's salary in cash, \$12.50.

March 15. Sold to W. H. Henry for cash three velvet rugs, at \$23.50 each. (Two entries.)

March 16. Sold to M. J. Morrissey on account 20 sq. yds. of linoleum, at 45c. Mr. Morrissey paid cash to be applied on his bill of Mar. 5, \$15.00.

March 17. Sold to G. W. McHenry, 26 Clarendon Court, on his 6% note at ten days, 3 Royal Wilton velvet rugs at \$45.00 each, and 26 yds. Jap matting, at 28c. (Sales book and journal.)

March 18. Bought of W. T. Smith & Son, 4 dozen Axminster rugs, at \$10.50 each; and 2 $\frac{1}{2}$  doz. oriental rugs at \$15.00 each. Remitted them cash for the bill bought of them on March 2.

March 18. Paid freight on the shipment from W. T. Smith & Son, \$17.65.

March 20. Paid the bookkeeper's salary for the week, as on March 13.

March 21. Sold to M. J. Morrissey for cash, 4 velvet rugs, at \$30.00 each.

March 22. Received from J. E. Allen \$10.00, to be applied on his account.

March 23. W. H. Henry paid in cash for his note of the 8th inst. and interest.

March 25. Bought of Farr & Bailey on account, 300 yds. of linoleum 2 yds. wide, at  $33\frac{1}{2}$ c per sq. yd.

March 26. M. J. Morrissey paid us in cash enough to settle our invoice of March 5 in full. (He had already paid \$15.00 on the bill on March 16.)

March 27. G. W. McHenry paid in cash for his note dated March 17 and interest.

March 27. Paid the bookkeeper's salary as before.

March 29. J. E. Allen paid his account in full.

Inspect the sales book to see what sales have been made to him. Inspect the cash book and journal to see what has been passed to his credit.

March 30. Remitted \$150.00 to Farr & Bailey to be applied on account.

March 31. The drayman presented his bill for deliveries for the month and we paid it in cash, \$11.65. (Expense.)

**Post the sales book, journal, and cash book, in the order named.**

Take a trial balance, leaving out accounts that balance. Do not fail to include the footings of the cash book.

Leaving out of the trial balance accounts that have equal footings on both sides, is permissible, since equal amounts can be deducted from both sides without destroying the balance.

## **Inventories:**

Mdse. on hand,	\$2,436.71
Furniture and fixtures valued at	115.00
Salary due bookkeeper (Liability inventory to Expense)	7.14

**Make statements.** Rule up the sales book. Close the cash book, remembering to bring down the balance into the Total column on the debit side. Close the ledger accounts in the following order: (1) Notes Receivable and personal accounts; (2) Loss or Gain accounts; (3) The proprietor's account.

It is proper to rule up a personal account that balances, whenever an entry is posted which balances it. This simply takes off equal amounts from both sides of the account and does not affect the equilibrium of the ledger. It makes it easier to examine the account at any time and reduces the labor of preparing the trial balance. In case there is only one item on each side of an account so ruled up, it is of course unnecessary to go through the farce of performing an addition—omit the single line and footing, using the double ruling only.

In making financial statements it is customary to arrange the items in a definite order. The assets are listed in the order of their realization (availability); that is, those most quickly and easily converted into cash are listed first. For the assets in the financial statement called for above, the arrangement should be: Cash, Mdse., Furniture & Fixtures, and personal accounts receivable. The liabilities are arranged in the order of liquidation (payment), the most pressing first. In this case, the salary due the bookkeeper would be paid first if the business should go into a receiver's hands, and it therefore comes first. Liabilities for which notes have been given are considered more pressing than liabilities on open account, since notes specify a day of payment, and therefore notes payable come next on the list. Accounts payable come last.

**Legal Point.** The Statute of Limitations declares that an open account is outlawed after \* years have elapsed during which time no part of it has been paid, no acknowledgment of the obligation made by the debtor, and no legal steps for collection taken by the creditor. In the case of promissory notes, however, † years must elapse under the same conditions before the debt is outlawed. In most states, notes are good for a longer time than open accounts. This seems to be a recognition of the superiority of the note as an evidence of debt, and might furnish one reason why notes should be listed before personal accounts.

## CHAPTER IV

### PRACTICAL OFFICE WORK AND BOOKKEEPING—Continued

#### THE FURNITURE BUSINESS

##### BUSINESS FOR MARCH, 19—

During the past two months Mr. Stewart's profits have only been about \$175.00 per month. This is not as much profit as he should have received from an investment of over \$10,000.00 in cash and of his entire time and effort.

He decides to retrench on expenses. His heaviest expense, aside from his rent, is the salary he has been paying you. He decides to do his own bookkeeping in future, and therefore lets you go, giving you a letter of recommendation which reads as follows:

CHICAGO, Feb. 28, 19—. To WHOM IT MAY CONCERN: It gives me pleasure to recommend  
(Your name) as a thorough and competent bookkeeper and cashier.  
M (Your name) has been in my employ for the past two months and has given the  
highest satisfaction. (He or she) is only leaving me because I no longer find it necessary to employ a  
bookkeeper. Respectfully, D. B. STEWART.

Question: What would Mr. Stewart's profits for February have amounted to if he had not paid you \$80.00 as salary?

Write a letter to H. T. Raynor, furniture dealer at 364 Wabash Ave., City, applying for a position as bookkeeper in his office. You have seen his advertisement in yesterday's Record-Herald. Tell him where you have been working and why you are leaving Mr. Stewart's employ. Enclose a copy of Mr. Stewart's recommendation, properly arranged as to margins, spacing, etc., at the top of which you have written the word "copy." Request the privilege of a personal interview.

Mr. Raynor will not return the copy of Mr. Stewart's letter of recommendation. If you had sent him the original of Mr. Stewart's letter, it would have been proper for you to ask for its return, provided you had inclosed a two-cent stamp for the purpose.

#### OPENING A SET OF BOOKS

March 2. You are employed by Mr. Raynor as bookkeeper and cashier at a salary of \$20.00 per week, the same as you have been receiving from Mr. Stewart.

Mr. Raynor has not been satisfied with the system of bookkeeping he has been using and has decided to install a set of books similar to those you have been using while in Mr. Stewart's employ, with the addition of a cash book. He has ordered of A. C. McClurg & Co. 1 journal, 1 sales book, 1 ledger, 1 bill book, and 1 cash book ruled the same as the journal.

McClurg's man arrives with the blank books ordered and hands you a bill for them.

The invoice is Incoming Paper No. 27.

Ordinarily, the entry for this transaction should be made at once. As you have not yet opened the new books, however, Mr. Raynor pays the \$6.00 out of his own pocket, has the bill receipted, and holds it until you are ready to make the entry.

**Filing.** Place Incoming Paper No. 27 temporarily in the miscellaneous incoming papers section of the file. Do nothing else in regard to this until further instructed.

TRANSFERRING THE ACCOUNTS TO THE NEW BOOKS

From an examination of Mr. Raynor's books, from his inventory of Mdse., and from his valuation of property on hand, you find that his assets and liabilities at this time are as follows:

ASSETS		
Cash.....		\$ 286.00
Bal. from O. L., page 4. Your teacher will hand you \$86.00 in currency taken from your old files. Take \$200.00 from currency Env.		
Furniture & Fixtures.....		670.00
Inventory. Office furniture on hand.		
Merchandise.....		5259.50
Inventory. This was ascertained by an actual count and valuation of Mdse. on hand. (See detailed list below.*)		
Notes Receivable.....		*****.
Bal. from O. L., page 26. (Incoming Papers No. 28 & 29.)		
Interest.....		*.
Inventory. Accrued interest on J. F. Sprague's note for 30 days and on W. H. Harrison's note for 15 days.		
Palmer House Co., cor. State and Monroe Sts.....		225.00
Bal. from O. L., page 43.		
Harvard Hotel Co., 5714 Washington Ave.....		170.50
Bal. from O. L., page 26.		
A. F. Harvey, La Grange, Ill.....		56.75
Bal. from O. L., page 34.		

\* INVENTORY OF STOCK, MARCH 2, 19—

Cat. No.	Description	Article	Quan.	Cost Price	Amount
1982	Mahogany	Chairs	30	2.50	\$ ***.**
1684	Mahogany	Rockers.	45	5.66 $\frac{2}{3}$	***.**
184-5	Mission	Chairs	36	2.25	**.**
417	All sizes	Brass beds	15	12.00	***.**
584	All sizes	Brass beds	15	18.00	***.**
6030	All sizes	Brass beds	18	21.00	***.**
970	Mahogany	Dressers	16	21.00	***.**
630	B. E. Maple	Dressers	15	28.00	***.**
714	Tuna Mahogany	Dressers	12	30.00	***.**
530	Oak	Chiffoniers	6	18.00	***.**
530	Oak	Dressing tables	6	17.00	***.**
530	Oak	Dressers	6	21.00	***.**
417	Pine	Kitchen tables	24	2.50	**.**
357	Oak	Dining tables	15	12.00	***.**
1729	Mahogany	Parlor suites	2	180.00	***.**
184	- Qr. sawed oak	Unit book shelves	50	2.00	***.**
Assorted	7 x 10	Jute rugs	50	15.00	***.**
Assorted	9 x 12	Turkish rugs	21	37.50	***.**
6529	All sizes	Hair mattresses	12	16.50	***.**
2460	All sizes	Felt mattresses	30	4.10	***.**
4850	All sizes	Cotton mattresses	5	2.00	**.**
<hr/>					
***.**					

## LIABILITIES

Notes Payable.....	\$500.00
Bal. from O. L., page 48. Note at 30 days dated Feb. 10 of this year, in favor of S. Karpen & Bros., 187 Michigan Ave., and bearing 6% interest from its date.	
Interest.....	* **
Inventory. Int. on note favor S. Karpen & Bros., ** days at 6%.	
The Ford & Johnson Co., 1441 Wabash Ave.....	450.00
Bal. from O. L., page 60.	
Balkwill and Patch, 404 Fullerton Ave. .....	320.60
Bal. from O. L., page 64.	

**Bookkeeping.** Your first entries in the new books will be two journal entries and a cash book entry setting forth the above assets and liabilities, as follows:

IN JOURNAL  
MARCH 2, 19—

	H. T. Raynor has this day opened a new set of books. His assets, aside from cash, as ascertained from the old books and the inventories, are as follows:				
	Furniture and Fixtures . . . . . Inventory of office furniture.....	***			
	Merchandise ..... . . . . . Inventory .....	**** **			
	Notes Receivable ..... . . . . . Bal. from O. L. page 26 .....	****			
	Interest ..... . . . . . Inventory. On J. F. Sprague's note, 30 ds. at 6%, \$*.**. On W. H. Harrison's note, 15 ds. at 6%, \$*.**.....	*			
	Palmer House Co. ..... cor State and Monroe Streets.	***			
	Bal. from O. L. page 43 .....	***			
	Harvard Hotel Co. ..... 5714 Washington Ave.	*** **			
	Bal. from O. L. page 25.....	*** **			
	A. F. Harvey ..... La Grange, Ill.	*** **			
	Bal. from O. L. page 34.....	*** **			
	H. T. Raynor..... Investment .....	**** **			
	2				
	Mr. Raynor's liabilities at this date are as follows:				
	H. T. Raynor ..... Investment.....	**** **			
	Notes Payable... . . . . . Bal. from O. L. page 48...	***			
	Interest ..... . . . . . On note favor Karpen, **				
	ds. at 6%.....	* **			
	The Ford & Johnson Co. . . . . 1441 Wabash Ave.	***			
	Bal. from O. L. page 60...	***			
	Balkwill & Patch . . . . . 404 Fullerton Ave.	*** **			
	Bal. from O. L. page 64...	*** **			

## EXPLANATION:

In the first entry the separate assets are debited and H. T. Raynor is credited for the total. In the second entry the separate liabilities are credited, Mr. Raynor being debited for the total. When these entries are posted, the ledger will be in balance.

The interest inventories represent amounts which have accrued on notes receivable and payable for the time between the date of issue and the current date (March 2) in each case. The accrued interest on notes receivable is an asset. The accrued interest on the note payable is a liability.

"Bal. from O. L." *Balance from old ledger.* As a matter of reference, the entries should show what pages of the old ledger these accounts can be found on. In such a case the old ledger should be closed by means of an entry in each account showing to what page in the new ledger it has been transferred.

## IN CASH BOOK

## CASH, DR.

19—

Mar.	2	H. T. Raynor	Investment	286		

Make the entries in your journal and cash book. Number the pages of the cash book, giving corresponding left and right hand pages the same number. Enter the notes receivable and payable in the bill book.

**Filing.** Place the \$286.00 in currency and the notes receivable in the cash register.

## Posting.

Open accounts in the ledger in the order given below, allowing for each account one line for the heading, one line for the ruling, and for the entries the number of lines indicated. Write the names of the accounts in your very best penmanship, slightly larger than your usual handwriting.

H. T. Raynor.....	14 lines	Louis N. Powers, 1821 Belmont Ave.....	14 lines
Your name.....	6 lines	B. A. Dalton, 2323 Water St. ....	5 lines
Furniture & Fixtures .....	11 lines	D. G. Boleyn, 1816 Lake St. ....	12 lines
Merchandise.....	1 page	Notes Payable.....	18 lines
Interest.....	1 page	The Ford & Johnson Co., 1441 Wabash Ave.	8 lines
Expense.....	1 page	Balkwill & Patch, 404 Fullerton Ave.....	5 lines
Loss & Gain.....	18 lines	Michigan Stove Co., Detroit, Mich.....	10 lines
Petty Cash Sales.....	6 lines	Kimball & Chappell Co., 2834 Loomis St.	10 lines
Notes Receivable.....	7 lines	Detroit Folding Cart Co., Detroit, Mich.	10 lines
Palmer House Co., cor. State & Monroe Sts.	8 lines	St. Johns Table Co., Cadillac, Mich.....	7 lines
Harvard Hotel Co., 5714 Washington St.	15 lines	W. P. Dunn Co., 429 La Salle St.....	7 lines
A. F. Harvey, La Grange, Ill.....	8 lines	Heywood Bros. & Wakefield Co., Gardner,	
C. E. Birch, 1224 Harrison St.....	14 lines	Mass.....	7 lines
A. E. Robson, 4226 Central Ave.....	12 lines	S. Karpen & Bros., 187 Michigan Ave.....	7 lines
C. I. Brown, 405 Monroe St., Peoria, Ill..	5 lines		

Post the opening entries. In posting from the journal use the explanation "Inventory," "Bal. from O. L. page —," or "Investment," the same as in the journal. In posting from the cash book, use the explanation "Investment."

## Transaction No. 1

March 2. Mr. Raynor now turns over to you the bill for blank books bought of McClurg, instructing you to reimburse him for the money advanced by himself when the books arrived. Take McClurg's bill from the Miscellaneous Incoming Papers section.

**Bookkeeping.** Make the entry in the cash book, charging Expense.

**Filing.** Take \$6.00 from the cash register and file it with the outgoing papers. The bill has been receipted by McClurg. Place it in the section marked "Receipts."

Note that Mr. Raynor has placed his O.K. upon this bill. He instructs you that all bills must be O.K.'d by him. Always look for this O.K. on all incoming invoices before making the required entries.

**Transaction No. 2**

March 2. Mr. Raynor is renting the store at 364 Wabash Ave. from M. C. Whitney, whose office is in the Monadnock Building, at a monthly rental of \$100.00. He instructs you to take Mr. Whitney cash for the March rent and to bring back his receipt.

The receipt is Incoming Paper No. 30 in the pad of incoming papers.

**Business and legal Points.** Receipts have no money value, but should be carefully preserved as acknowledgments of payment. Form receipts are not as good evidences of payment as receipted bills, for a receipted bill shows positively what the payment was made for. A receipt is *prima facie* evidence of the payment of a debt; that is, it will be accepted as proof unless better proof to the contrary be produced. There can be no better proof of payment than a canceled check that has been endorsed, but even this will not be accepted as proof that the bill was paid in full, even though the words "in full" be written upon the check.

**Bookkeeping.** Make the entry in your cash book (charge Expense).

**Filing.** Take \$100.00 from the cash register and place it with the outgoing papers. Place the receipt in the proper section of the file.

**Transaction No. 3**

March 3. A. H. V. Love, representing Critchell, Miller, Whitney & Barbour, agents for the Commercial Union Insurance Co., has for some time been soliciting Mr. Raynor to take out insurance on his stock of Mdse., and Mr. Raynor has finally concluded to take out a \$4,000.00 policy. The rate for one year is \$1.25 per hundred dollars. Compute the amount of the premium due the company on a \$4,000.00 policy and pay it in cash.

The policy, signed by the officers of the insurance company, accompanies your outfit. Examine it carefully.

In no way can you learn more about insurance than by a careful study of the policy itself. The form of policy shown is what is called a New York Standard policy and contains all the usual provisions. Answer the following questions on important points mentioned in the body of the policy.

1. What is the extent of the company's liability in case any loss or damage occurs? (See line 1.)
2. What may the company do instead of giving cash indemnity? (Line 4.)
3. State several causes for which the policy may be declared void? (Line 7.)
4. When is the company not responsible? (Line 27.)
5. Would the company be liable if an earthquake should destroy a house and the house should then catch fire from the hot coals of the kitchen stove? (Line 32.)
6. How can an insurer know whether a man claiming to be an agent for a certain company is what he claims to be? (Line 42.)
7. May the insured cancel this policy? If so, how much of his paid premium will be returned to him? If the company cancels his insurance, how much will be returned? (Line 45.)
8. What must the insured do in case of fire? (Line 59.)
9. How is the amount of a fire loss decided upon? (Line 75.)
10. What proportion of any loss will a given company pay? (Line 84.)
11. May an agent alter the printed terms of a policy? (Line 99.)

**Special Provisions.** The regular provisions of the policy, as printed in the standard policy, may be altered by special provisions, written in or printed and attached to the policy. These provisions may be on separate printed slips (called "riders") pasted to the policy, or several of them may be printed on one form which is then attached. Study carefully the rider represented on the policy Mr. Raynor received and answer the following questions:

1. May the insured carry other insurance on the same property?
2. Will the company pay for property which has been sold but not delivered and is in the building at the time of the fire?
3. How much insurance must be carried?
4. If the insured does not carry the full amount required, what proportion of the loss must he bear himself?

It should be noted that many of these special provisions are opposed to the regular provisions in the body of the policy; they invalidate the regular provisions with which they conflict. The eighty per cent. co-insurance clause can be better understood after you have read the following explanation:

**The Eighty Per Cent Clause.** This provides that the insured must carry insurance to the extent of at least eighty per cent of the value of his property (any other per cent may be specified, but eighty is usual). Assume, for illustration, that a man has property worth \$10,000.00. He must carry \$8,000.00 insurance. Assume that he does carry \$8,000.00, having 8 policies of \$1,000.00 each, in different companies. Each company agrees to bear  $\frac{1}{8}$  of any loss, and the eight policies cover his loss in full. But if he carries only five \$1,000.00 policies, he can collect only  $\frac{5}{8}$  of his loss. He is thus forced to bear  $\frac{3}{8}$  of the loss himself; this is what is meant by saying that he is "co-insurer." The companies do not propose to pay him in full for a small loss unless he insures in full and pays the larger premium. Suppose for instance he is insured for \$5,000.00 in the above case (when he should have been insured for \$8,000.00) and a \$5,000.00 loss occurs. The company will not pay his full loss, though the policy is big enough to cover it. They will pay him only  $\frac{5}{8}$  of his loss, or \$3,125.00.

The reason the companies do not insist that property be insured for full value (100%) is that the owner might then be tempted to burn his own property for its insurance, or that at least he might then be less careful than he would be if not fully insured.

**Special Rates for Residences.** Residences, household goods, and rents being regarded as good risks, the companies will often insure for three years for double the rate for one year. Insurance of rents is the company's agreement that if the building should burn down they will continue paying the rentals to the owner until he has had time to rebuild.

Take the money from the cash register and pay Mr. Love. He will give you a receipted bill. (Incoming Paper No. 31.)

**Bookkeeping.** Make the entry in the cash book, charging Expense.

**Filing.** Place the cash paid out in the outgoing papers file. Fold the policy so that the form of brief will be on the outside, fill out the brief, and file it with the miscellaneous incoming papers. File the receipt.

#### Transaction No. 4

March 4. Mr. Raynor has made a sale and hands you a "sale ticket" upon which he has written all the data necessary for your bookkeeping entry. He has adopted this plan of using sale tickets for all sales, and your information in regard to what sales have been made, and the terms of sale in each case will in future be ascertained from sale tickets.

The sale tickets are in a separate pad, from which you will detach them whenever instructed to do so as your work proceeds. They are clearly marked with the numbers of the transactions they accompany, so that you can make no mistake.

Detach the sale ticket marked "Transaction No. 4." Verify Mr. Raynor's figures.

Make out an invoice, giving it our number 151. The next invoice of goods sold will be number 152.

As a matter of convenience, you may now number several of Mr. Raynor's billheads in advance. This will save you the trouble of looking up the number each time a bill is made out.

**Bookkeeping.** Make the entry for this transaction in the sales book. This is the first entry in the sales book, so you will write the date out in full at the top of the page. Be sure to write Mr. Birch's address in the entry. Number the pages of the sales book at this time.

**Filing.** Place the invoice in the outgoing papers section of the file. Place the sale ticket in the envelope marked "Sale Tickets," observing carefully the instructions printed upon the envelope.

**Transaction No. 5**

March 4. Mr. Raynor hands you a notice of freight received, which came in the morning's mail. (Incoming paper No. 32.)

There is a place on this notice for your signature authorizing the agent of the railroad company to deliver the goods to a drayage company. Sign this, in the space marked "Consignee", but do not fill out the space indicating to what driver the freight is to be delivered. This gives the road the authority to send it out by any delivery company.

**Filing.** Return the signed notice to the railroad company by filing it with the outgoing papers.

You could, if you wished, fill in the name of some particular driver or company, and hand the freight notice to him. He would present it to the freight agent, and the freight agent would be bound to deliver to him. Many firms have regular arrangements with certain drayage companies to do all of their hauling.

The expressman arrives with the freight and an *expense bill*. This is the bill for the freight, at the bottom of which has been added the extra charge for drayage, \$2.00. The expense bill is Incoming Paper No. 33. Note that it has been receipted by the railroad. Pay the driver cash.

**Bookkeeping.** Make an entry in the cash book, charging Mdse.

**Filing.** Take \$12.00 from the cash register and place it in the outgoing papers section. You will have to make change. Place the receipted expense bill with the receipts.

**Business Note.** If Mr. Raynor had sent his own driver for the goods, he would have had to send the amount of the freight charges (\$10.00), as the railroad demands cash before it will release the goods. Had he hired an expressman, the expressman might have advanced the \$10.00 freight charges and collected \$12.00, which includes his own charge of \$2.00.

**Transaction No. 6**

March 4. Mr. Raynor now hands you the invoice for the above shipment. (Incoming paper No. 34.)

The invoice was received by Mr. Raynor yesterday, having been mailed at the time the goods were shipped (March 2). It takes less time for mail to reach its destination than for freight; this explains why the bill arrived in advance of the goods.

See that Mr. Raynor's O.K. is on the bill. The O.K. indicates to you that the quantities and prices on the bill are in accordance with Mr. Raynor's agreement when he bought the goods. You will also find opposite each item on the bill a check mark (✓) which indicates that the quantities actually received agree exactly with the quantities billed. Verify the computations on the bill.

**Trade Discount.** The stoves are invoiced by The Michigan Stove Co. at \$58.50 and \$37.20. But a 25% discount from these prices is given to "the trade." This kind of a discount is called a "trade discount." You will learn more about trade discounts later. For the present simply bear in mind that the amount of the bill is \$259.20, not \$345.60.

**Bookkeeping.** Enter the transaction in the journal making note of the fact that the bill is dated March 2.

**Filing.** Place the bill with the "Invoices Payable."

As you are not now using in your bookkeeping system any device for reminding you when bills fall due, you must watch the "Invoices Payable" section of the file very closely.

**Transaction No. 7**

March 5. Mr. Raynor places upon your desk a sale ticket which explains itself. Detach this from the pad of sale tickets. See that the ticket you detach is marked "Transaction No. 7."

Make out an invoice.

**Bookkeeping.** Make the entry in the sales book.

**Filing.** Place the invoice in the outgoing papers section. File the sale tickets as in Transaction No. 4. Do this with all sales tickets in future as soon as the bookkeeping entries are made.

**Transaction No. 8**

March 5. Receive a check from the Harvard Hotel Co. for \$75.00 on account (Incoming Paper No. 35). They ask for a receipt.

**Bookkeeping.** Make the entry in the cash book crediting the Harvard Hotel Co.

**Filing.** Place the check in the cash register. File the receipt with the outgoing papers.

**Transaction No. 9**

March 7. A sale is made and the sale ticket is handed to you.

Detach the slip marked "Transaction No. 9."

You may take the proper amount of cash from the outgoing papers section.

Make out an invoice and receipt it.

Observe that the selling price of the stove is the same as the price on The Michigan Stove Co.'s bill to us. The profit we make is in the trade discount (25%) allowed to us from this list price.

Question: What was the percentage of profit realized by us on the sale?

**Bookkeeping.** Make an entry in the sales book debiting C. E. Birch. Make an entry in the cash book at once giving him credit for the payment.

**Filing.** Place the cash in the cash register.

About noon to-day Mr. Raynor hears that the H. Tarrant Savings Bank is about to suspend payment. This is the bank on which the Harvard Hotel Co.'s check is drawn. He therefore urges you to make all speed to the bank and cash the check if possible.

Read *business and legal point* under Transaction No. 14, page 46, and then explain Mr. Raynor's anxiety to get this check cashed at once.

Upon arriving at the bank you find that the doors are closed. Above them hangs a notice signed by the president that the bank is fully solvent and able to pay its depositors if given time, but that a run on the bank has exhausted the ready cash and therefore they have been forced to close their doors until they can exchange some of their securities for cash. You are therefore compelled to return to Mr. Raynor with the check uncashed. Nothing further can be done about the matter at this time.

Question. Should the bank ultimately be able to pay only 60c on the dollar, what would be the extent of Mr. Raynor's loss on the check?

**Transaction No. 10**

March 7. Your salary for the first week is now due, and Mr. Raynor pays you in cash. Take the money from the cash register.

**Bookkeeping.** Make the entry in the cash book, charging Expense.

**Filing.** Place the \$20.00 in the outgoing papers section of the file.

William Johnson has been employed as clerk and stock boy at a salary of \$10.00 per week. His services are to begin Monday, March 9. Make a notation of these facts in the journal. Write nothing in the money columns.

**Posting.** As it is now the end of the week, Mr. Raynor requests you to post all original entries up to date, prove the cash, and take a trial balance.

**First:** Post all sales book entries to the debit of the proper accounts, using the explanation "Mdse." in each case. Do not post the footing to the credit of Mdse. at this time.

As you are now posting from several books you may indicate opposite each ledger item the book from which the item was posted. This is done by writing the initial J, C, or S before the number in the folio column, thus: J4, C5, S6. This is not necessary in every case, as the nature of the entry or its explanation will often indicate what book it was posted from. But it is often helpful and should be done when a doubt might exist.

**Neatness and care in Posting.** The ambitious student, anxious to do good work and receive good grades, will naturally bring to bear his very best efforts at all times. There is an especial reason, however, for the exercise of care in posting. Posting, except at the very beginning when one is learning how, is a purely mechanical process involving no thinking or reasoning. For this reason the bookkeeper posts rapidly and sometimes carelessly. Mistakes are likely to occur, and carelessly-made figures are likely to give a great deal of trouble. Errors that arise from carelessly-made figures are very difficult to discover, as the bookkeeper is almost certain to read a given figure, the second time he adds a column, the same way he read it at first.

**Second:** Post all unposted journal entries.

**Third:** Post all unposted cash debits to the credit of the accounts named in the explanatory column, and post all cash credits to the debit of the accounts named.

The reasons for the order of posting suggested above are: (1) The sales book contains charges against customers, and these should be posted before the credits to the customers are posted from the journal or cash book; (2) The journal contains credits to those from whom we purchase, and should be posted before the debits (our payments) are posted from the cash book.

**Fourth:** Close the cash book with a red ink balance. This being Saturday, March 7, the balance brought down may be dated March 9.

Does this balance agree with the amount of cash in the cash register (including the check for \$75.00)?

**Fifth:** Take a trial balance. This must include the amount of the cash balance, and must include the total of Mdse. sales (taken from the lead pencil footings) as a credit.

The result of the trial balance is not affected by including the balance of the cash book only, instead of the full footings of both sides. Reflection will show you that you have simply left off the amount of the cash credit total from each side and that the equality of the debit and credit sides has not been affected.

**Student's Report No. 9.** You will fill out Student's Report No. 9 in the same way you have filled out former reports. You cannot fill out the cash proof and bank proof on this report, as Mr. Raynor has no bank account as yet. Your files were emptied at the end of February; therefore your report will include nothing but Mr. Raynor's business.

#### Transaction No. II

March 9. Mr. Raynor has just learned that the H. Tarrant Savings Bank is not insolvent, as he had feared, but will be able to pay all obligations. He has been taught a valuable lesson, however, and will make it a rule in future to hold no checks longer than twenty-four hours.

After investigating the standing of the Merchant's Exchange Bank, of this city, Mr. Raynor has decided to open an account with that bank, as its resources are ample,

its reputation of the best, and its directors and officers cautious in their investments and conservative in their management. He instructs you to deposit the check and all cash on hand except \$68.00 in the Merchant's Exchange Bank. He has already made arrangements with the bank and has left his signature.

Fill out a deposit slip, entering currency and checks separately. Take the deposit to the bank. The bank teller will furnish you with a pass book and check book. (These supplies accompany your outfit.) The amount and date of your deposit should be entered in your pass book at this time. Record the amount and date of the deposit on the check book stub.

**Bookkeeping.** No bookkeeping entry is required for this transaction. Cash in the bank is considered the same as cash on hand.

**Filing.** The currency and check deposited must be placed in the outgoing papers section.

Did you remember to endorse the check at the time of depositing?

**Duplicate Deposit Slips.** If a depositor forgets to bring his pass book to the bank, or if he finds it necessary to make a deposit at a time when his pass book is not at hand, he may make out his deposit slip in duplicate. One of these duplicates will be kept by the bank as usual; the other will be handed back to him with the bank's receipt stamped upon it. The depositor holds this duplicate until the bank has entered the deposit in his pass book. Depositors will save themselves and the bank all this trouble, however, by remembering to bring their pass books.

#### VARIABLE SELLING PRICES\*

Ask your teacher to assign to you one of the following lists, and in future when selling beds or mattresses invoice them at the prices named in the list.

Article	List No. 1	List No. 2	List No. 3	List No. 4	List No. 5	List No. 6
No. 417 brass beds.....	18.00	17.50	17.75	18.00	18.25	18.50
No. 584 brass beds.....	27.00	27.50	27.25	27.00	26.75	26.50
No. 6030 brass beds.....	26.90	30.00	30.25	30.50	30.75	31.00
No. 911 iron beds.....	3.20	3.35	3.30	3.25	3.20	3.15
No. 6529 hair mattresses...	24.70	24.25	24.50	24.75	25.00	25.25
No. 2460 felt mattresses...	6.10	5.95	6.05	6.15	6.25	6.35

#### Transaction No. 12

March 10. Receive from the Kimball & Chappell Company, 2834 Loomis St., Chicago, Ill., an invoice (Incoming Paper No. 36). See that it has been O.K.'d by Mr. Raynor as to prices and quantities listed on it.

Note that the terms are "Cash." As soon as you have verified the extensions, you may give them a check. The invoice is already receipted.

It is not absolutely necessary that a receipt be given when payment is made by check, because the check will eventually be returned to the person who made it. The payee will have to endorse it to get his money and the bank will stamp it as paid, and these two things will constitute absolute evidence that the payee has received his money. Nevertheless receipts are often given even when payment is made by check, for several good reasons: The receipt states just what bill or bills the payment covers. The person does not have to wait until the bank returns the canceled check to be assured that it has reached the payee without mishap. The receipt is a courteous acknowledgment which most business men think they should make under any circumstances. Finally, the check is a voucher in connection with the bank account, while a receipt is a voucher in connection with a trading account, and it is better to keep them separate.

\*For additional price lists, see page 132

**Bookkeeping.** Make two entries, one in the journal, crediting the Kimball & Chappell Co. for the amount of the purchase, and one in the cash book, debiting them for our payment. Thus a complete record of the transaction will be shown in the ledger when both entries are posted.

Mr. Raynor wishes to keep complete records of all transactions with persons from whom he buys Mdse. Whenever a purchase is made, even though settlement is made at once, the transaction is to be carried through our ledger account with the person from whom we buy. The person is credited through the journal in every case. Then if the payment is cash, the person is at once debited through the cash book. If the payment is by note, then the person is debited through the journal. If the payment is part cash and part note, entries debiting the person are required in both books.

Mr. Raynor also wishes to keep complete records of all transactions with persons to whom we sell Mdse. (except in case of a *petty cash sale*, about which you will learn later). The person is charged through the sales book, in every case. Then the credit is at once made through the cash book, the journal, or both cash book and journal, depending upon whether the settlement is made in cash, by note, or part cash and part note.

**Filing.** The receipted invoice is filed with the receipts.

#### Transaction No. 13

March 10. Receive a check from the Palmer House Co., in full of account. (Incoming Paper No. 37.) They request a receipt.

Also receive a check from the Harvard Hotel Co. on account. (Incoming Paper No. 38.) They request a receipt.

Fill out receipts for each of the above.

**Bookkeeping.** Two entries should be made.

**Filing.** Place the cash in the cash register. File the receipts with the outgoing papers.

#### Transaction No. 14

March 10. Make a deposit of the two checks now on hand.

#### Transaction No. 15

March 11. A sale ticket is handed to you. The prices for the first two items are to be filled in by you from the special price list on page 103 which your teacher has assigned to you.

Make out an invoice, make the sales book entry, and file the invoice as in previous similar transactions.

#### Transaction No. 16

March 12. Mr. Raynor desires to know whether we have a large enough balance in the bank to pay by check our note favor of S. Karpen & Bros. with accrued interest for 30 days.

Compute the interest carefully. If you find that we have enough money in the bank, draw a check for the amount of the note and interest.

**Bookkeeping.** Make two entries in the cash book, one for the note and one for interest.

**Filing.** The check is placed in the outgoing papers section.

## Transaction No. 17

**March 12.** Mr. Raynor hands you this sale ticket. Take \$60.00 from outgoing papers; \$20.00 from currency envelope. Make out an invoice and receipt it. **Bookkeeping.** Make entries in both sales book and cash book, as in Transaction No. 9. **Filing.** Place the cash in the cash register. Mr. Raynor's note is returned by S. Karpen & Bros., canceled. (Incoming Paper No. 39.) See that the cancellation is properly made, and file the paper with the receipts.

## Transaction No. 18

**March 13.** A notice of freight received arrives in this morning's mail. (Incoming Paper No. 40.) Sign and return it. (See Transaction No. 5, page 100.) Later in the day an expressman arrives with the freight from the Michigan Central depot, and hands you an expense bill. (Incoming Paper No. 41.) Pay it in cash. Bookkeeping and filing same as in Transaction No. 5.

## Transaction No. 19

**March 13.** Mr. Raynor hands you the invoice for this last shipment (Incoming Paper No. 42) which he has O.K.'d. Verify the extensions and addition. **Bookkeeping.** Make an entry in the journal. Note that the bill is dated March 11. **Filing.** Place the invoice with the "Invoices Payable."

## Transaction No. 20

**March 13.** Make a deposit of \$100.00 in currency.

## Transaction No. 21

**March 13.** August Reese has been hired to wash the windows, scrub the floors and polish furniture today. Mr. Raynor instructs you to pay him \$2.00 in cash for his day's work.

The cash must be paid out of the cash register.

**Bookkeeping.** Make an entry in the cash book.

**Filing.** Place the \$2.00 with the outgoing papers.

## Transaction No. 22

**March 14.** Last Monday Mr. Raynor received a bill from the St. Johns Table Co., Cadillac, Mich. The bill was dated March 7 and we were advised that the tables were shipped on that date via the Michigan Central; but we have not yet received them. Mr. Raynor suggests that you wire them asking that they send a "tracer" after the goods.

A "tracer" is a paper sent after a shipment. It must start at the shipping point and go forward through the hands of each railroad employee who has handled the shipment. Each employee must note thereon the time of receiving the shipment and the time it left his hands, with the reason for delay if there was a delay. The use of a tracer often aids in correcting errors in transportation, and it is supposed to accelerate the progress of the goods. Upon receipt of a request for a tracer, the railroad company will issue the tracer, sending a duplicate of it to the consignor who makes the request.

### Telegrams

The sender of a telegram must write it on the telegraph company's ruled blank. The blank is ruled into squares and the sender writes one word in each square. This is for the operator's convenience in counting.

The company will charge for ten words at least. If a telegram should contain fewer than ten words, the charge will be for ten words. The usual rate for messages that do not have to go a long distance or to be transferred from one wire to another is 25c for the first ten words with 2c additional for each word in excess of ten.

To guard against mistake, messages are often repeated; that is, the receiving operator wires back to the sending operator, repeating the message for comparison. For this, one-half is added to the original charge.

Messages can be sent during the night for less money, as the wires are less busy during the night. Messages sent at the night rate will not be delivered until morning.

In counting words, each figure is counted as one word. It is therefore better to spell out such expressions as "Five thousand," "Seven thirty," etc.

The rate to Cadillac is 25c. Send a ten-word message. A telegraph blank accompanies your outfit.

In order to make the change it will be necessary for you to have some 25c pieces. You will find four of these in the currency envelope. Place them in the outgoing papers section of the file so that you can make change.

Pay the 25c from the cash register.

**Bookkeeping.** Make an entry in the cash book.

### Transaction No. 23

March 14. Mr. Raynor instructs you to take from the cash register the amount of your own salary and to pay Wm. Johnson \$10.00 as agreed.

**Bookkeeping.** One entry only is required in the cash book. This entry should show in detail to whom the money was paid, two lines being used thus:

19—

Mar.	14	Expense	Bookkeeper's salary, 20.00 Wm. Johnson's salary, 10.00	30 00		
------	----	---------	---	-------	--	--

Take the cash from the cash register and file it with the outgoing papers.

**Posting.** The posting should now be brought up to date. Do not post the total sales, nor rule up the sales book. (See instructions following Transaction No. 10.)

**Trial Balance.** Close the cash book, and take a trial balance. The sales total must be included in the trial balance.

**Report No. 10** should be made out at this time. The report on papers issued should include all papers issued since March 1.

### Transaction No. 24

March 16. A notice is received from the Michigan Central Railroad Co. that a shipment has arrived for you from Cadillac, Mich. Sign and return it. (See Transaction No. 5). The notice is Incoming Paper No. 43.

The drayman arrives with the freight and an expense bill (Incoming Paper No. 44) which we pay by check. See that it is receipted by the railroad company.

Bookkeeping and filing as in Transaction No. 5.

#### Transaction No. 25

March 16. Mr. Raynor now O.K.'s the invoice received from the St. Johns Table Company (Incoming Paper No. 45) and hands it to you. Verify the extensions and addition.

Bookkeeping and filing as in previous similar transactions.

#### Transaction No. 26

March 17. C. I. Brown, of Peoria, Ill., left an order today for 1 oak bedroom suite No. 530. Mr. Raynor made the sale and filled out the sale ticket in the usual way.

"F. O. B." Mr. Raynor has written on the sale ticket "F. O. B. Chicago, via C. R. I. & P.". "F. O. B. Chicago" (free on board at Chicago) means that the price at which the goods were sold is the price at Chicago, which is another way of saying that Mr. Brown must bear the freight expense. "Via C. R. I. & P." means "Ship by way of the Chicago, Rock Island & Pacific Railway."

Make out the invoice.

Bookkeeping. Make the usual sales book entry.

Shipping. The first thing to do is to make out the bill of lading (in triplicate) preparatory to taking the goods to the freight depot.

The shipper does this for his own convenience. He has on hand a supply of bills of lading. His shipping clerk fills them out in advance (all except the weight and rate and the railroad company's signature) thus avoiding confusion and delay at the freight office. All that the receiving clerk at the freight office has to do is to give them a number and affix his signature as agent for the railroad. If the shipment is to be prepaid, or for some other reason the shipper desires it, the freight clerk will fill in the weight (subject to correction) and have the rate inserted by the proper official.

A large shipper usually has his own supply of bills of lading in which he is allowed to have printed his own name and location, and any matter which he may wish for the convenience of his shipping clerk. A smaller shipper is usually content to use forms furnished him by the different railroad companies, or stock forms in which he inserts his own name and location and the name of the road over which he ships.

Bills of lading may be "straight" or "order." "Straight" bills of lading are used when the goods are to go straight to the consignee. They are non-negotiable. They must be printed on white paper. "Order" bill of lading are for shipments "to the order of" some one (usually the shipper) and may be endorsed by that one over to another. They are used usually for the purpose of shipping C. O. D. in which case they will not be endorsed over to the person for whom the goods are intended until he has paid for the goods. "Order" bills of lading must be printed in colors—the first in yellow, and the second and third in blue.

Mr. Raynor has a pad of stock forms of "straight" bills of lading. They are in triplicate, that is, they come in sets of three which are filled out at once. The first is the *original*; the second is the *shipping order*, the third is the *memorandum*. Detach one set of three from the pad which accompanies your outfit and fill them out all alike (this is usually done with carbon paper). Sign Mr. Raynor's name followed by your initials in the lower left hand corner. Study the forms carefully, especially the headings, which explain the purpose and use of each of the three papers constituting the set.

## UNIFORM BILL OF LADING

*C.R.R.*

Railroad Company

Shipper's No.

Agent's No.

## STRAIGHT BILL OF LADING—ORIGINAL—NOT NEGOTIABLE

RECEIVED, subject to the classifications and tariffs in effect on the date of issue of this Bill of Lading, at *Chicago, Ill. March 17, 19—* FROM *F. J. Raynor*

the property described below, in apparent good order, except as noted (contents and condition of contents of package unknown), packed, conditioned and destined as indicated, to be carried by said company agrees to carry to its usual place of delivery at said destination, if on the road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any part of said property, over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder, shall be subject to all the conditions, whether printed or written, herein contained (INCLUDING CONDITIONS ON BACK HEREOF) and which are agreed to by the shipper and accepted for himself and his assigns.

The rate of freight from \_\_\_\_\_ to \_\_\_\_\_ is in Cents per 100 lbs.

IP ... Times 10	IP 1st Class	IP 2d Class	IP Rate 2d	IP 2d Class	IP Rate 2d	IP Rate 2d	IP 4th Class	IP 5th Class	IP 5th Class	IP Special	IP Special
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(Mail Address—Not for purposes of Delivery.)

Consigned to *C. J. Brown*  
Destination, *Peoria*. State of *Ill.* County of \_\_\_\_\_  
Route, \_\_\_\_\_ Car Initial \_\_\_\_\_ Car No. \_\_\_\_\_

No. PACKAGED	DESCRIPTION OF ARTICLES AND SPECIAL MARKS	WEIGHT (Subject to Correction)	CLASS OR RATE	CHECK COLUMNS	If charges are to be prepaid, write or stamp here "To be Prepaid."
1	<i>Chiffonier crated</i>				
1	<i>Dressing Table</i>				Received <i>8</i> to apply in preparation of the charges on the property described herein.
1	<i>Dressers</i>				Agent or Cashier.
					For _____ (The signature here acknowledges only the amount prepaid.)
					Charges Advanced: <i>8</i>

*F. J. Raynor* Shipper. *F. J. Raynor* Agent  
Per \_\_\_\_\_ Per \_\_\_\_\_  
(This BILL of LADING is to be signed by the shipper and agent of the carrier having name.)

When your drayman takes the shipment to the freight depot, the agent, F. L. Hammer (represented by your teacher), signs the bills of lading for the railroad company and gives them the number 20167. He will keep the *shipping order*, returning the other two to you. You are to keep the *original*, sending the *memorandum* to Mr. Brown.

The memorandum is valueless to the consignee except as a *memorandum*. He cannot get goods from the railroad company on it. If he is not known and the company demands a bill of lading, he will have to instruct the consignor to send him the original. In the above case, had Mr. Brown requested Mr. Raynor to send him a bill of lading, you would have sent him the *original* and retained the *memorandum*.

**Filing.** Mail the shipper's memorandum and Mr. Raynor's invoice to Mr. Brown by filing them with the outgoing papers. File the original bill of lading with the miscellaneous incoming papers.

## Transaction No. 27

March 18. A sale ticket is handed to you.

Make out an invoice.

**Bookkeeping.** Enter this sale as in previous similar transactions.

**Filing.** Mail the invoice by placing it with the outgoing papers.

**Transaction No. 28**

March 19. Receive a bill from the Lord & Thomas advertising agency for ads in the Chicago papers yesterday. This is Incoming Paper No. 46. Pay it by check.

**Bookkeeping.** Make the entry in the cash book, charging Expense.

**Filing.** The bill is already receipted by Lord & Thomas. File it with the receipts.

**Business Point.** Many business houses have their advertising written and placed by advertising firms. These firms profess to be expert at writing display ads and to have superior knowledge as to the best advertising mediums for different purposes. They contract with newspapers and periodicals for a large amount of advertising space and secure special discounts from them so that they can offer the advertiser the usual rates and still make a good profit.

Write copy for a quarter-page newspaper advertisement and submit it to your teacher for criticism.

**Transaction No. 29**

March 20. A sale ticket is handed to you. Insert the prices, as ascertained from the price list which has been assigned you, as you did in Transaction No. 15.

**Transaction No. 30**

March 21. The W. P. Dunn Co., 429 La Salle St., submit a bill for printing advertising circulars for us. This is Incoming Paper No. 47.

**Bookkeeping.** Make an entry in the journal. You should know what account to charge and what account to credit.

**Filing.** Place the bill in the invoices payable section.

**Transaction No. 31**

March 21. Mr. Raynor hands you a sale ticket and a check (Incoming Paper No. 48) to cover the amount of the sale. Make out an invoice and receipt it.

**Bookkeeping.** Make entries in the cash book and sales book.

**Filing.** You should know what to do with the check and with the invoice.

**Transaction No. 32**

March 21. Pay the salaries of the bookkeeper and the stock boy in cash as on previous Saturdays. You will have to get the cash from the bank.

**Procedure.** Draw a check to "Currency" for the total salaries to be paid out. Have it signed by Mr. Raynor, and draw the money at the bank by taking it from the outgoing papers section. Then pay \$20.00 to yourself as bookkeeper, and \$10.00 to the stock boy, Wm. Johnson.

**Bookkeeping.** See Transaction No. 23.

**Filing.** The money paid to the bookkeeper and stock boy should be replaced in the outgoing papers section.

**Transaction No. 33**

March 21. Deposit the check received from D. G. Boleyn.

Did you remember to endorse it?

## Transaction No. 34

March 21. Send The Ford & Johnson Co. our 60-day note for \$450.00 in full of account. The note is to bear 6% interest.

As this is Saturday night you will remember to post your books up to date. Close the cash book, and take a trial balance.

Student's Report No. 11 should be made out at this time and handed to your teacher.

## Transaction No. 35

March 23. A sale ticket is handed you. Proceed exactly as in Transaction No. 15.

## Transaction No. 36

March 24. Receive of Heywood Brothers and Wakefield Company upholstered chairs as per invoice (Incoming Paper No. 49). No terms being written on the invoice, it is assumed that the purchase is "on account."

Bookkeeping and filing as in previous similar transactions.

This company is located at Gardner, Mass., but has a Chicago office and the goods were delivered from the local storeroom. For this reason there is no freight bill to pay.

**Trade discount.** The invoice reads "\$162.00 less 50 and 5%." This means that 50% is taken off and then 5% is taken off of the remainder. Questions: What would the trade discount have amounted to had it been 55% instead of 50 and 5%? Why is a different result secured?

In many lines it is customary to give a series of discounts in this way. Sometimes three or four successive discounts are given. In the hardware business it is not unusual to see a series like the following: "70, 25, 7½ and 5%."

These successive discounts are given separately because each exists for a special reason and may have been made at a different time. In some lines the same printed catalog is used for both the retail and wholesale trades. The dealer gets a discount to which the retail buyer is not entitled. The price may go down on a certain article, and instead of printing another catalog, the dealer gives a second discount. Some article may be hard to sell, and on it a third discount is given. Still another discount may be offered in a certain territory in order to meet competition. And so on. The catalog price remains the same. The real price to a certain customer is regulated by the discounts.

## PROBLEMS:

1. Find the net amount of \$100.00 less 70, 25, 10 and 5%.
2. Find the net amount of \$674.00 less 50, 10 and 7½%.
3. Find the net amount of \$500.00 less 25, 10, 10 and 5%.
4. Find the net amount of \$500.00 less 10, 5, 10 and 25%.
5. Why is the answer to problem 4 the same as the answer to problem 3?
6. State as a general rule the conclusion you reached in answering the last question.

## Transaction No. 37

March 25. Receive \$100.00 in cash from A. E. Robson on account. The cash may be taken from the currency envelope. Give him a receipt. Make the entry and file as in previous similar transactions.

## Transaction No. 38

March 25. A sale ticket is placed upon your desk. You know what to do with it.

## Transaction No. 39

March 26. A letter from C. I. Brown of Peoria arrived in this morning's mail containing a draft on the First National Bank of this city for \$80.00 (Incoming Paper No. 50). The draft was drawn by the Commercial German Nat'l Bank of Peoria, and was sent by Mr. Brown in payment for the furniture shipped to him on the 17th. Issue a receipt to Mr. Brown.

**Bookkeeping.** The bank draft is an order for the First National Bank to pay us money, and we will receive it as cash. Mr. Brown bought the draft of the Peoria bank for \$80.00, and sent it to us; therefore his account is to be credited.

**Filing.** Place the bank draft in the cash register. File the receipt with the outgoing papers.

**Bank draft.** Study the form received. You will see that the Peoria bank orders the Chicago bank to pay \$80.00 to H. T. Raynor. A bank draft does not differ in its nature from a check. The form of it is different and the party drawing it is a bank instead of an individual or firm, but it is an order on a bank to pay a sum of money to a certain party, the same as a check.

**Parties.** The parties to a bank draft are the *drawer*, in this case the Peoria bank; the *drawee*, in this case the Chicago bank; and the *payee*, in this case, H. T. Raynor.

## Transaction No. 40

March 26. Deposit the bank draft, endorsing it just as you would endorse a check. At the same time deposit \$50.00 in currency, as you have too much cash in your cash register.

## Transaction No. 41

March 27. A notice of freight received arrives in the morning's mail (Incoming Paper No. 51). Sign it and return it to the railroad company.

The drayman arrives with three stoves from Detroit and an expense bill (Incoming Paper No. 52) which you will pay by check. (See Transaction No. 5.)

## Transaction No. 42

March 27. Mr Raynor hands you an invoice from The Michigan Stove Company which he has O.K.'d as to the prices and quantities listed on it. This is Incoming Paper No. 53. Verify the extensions, make the entry, and file the invoice.

**Bookkeeping Point.** The journal explanation should state that the bill is dated March 25.

## Transaction No. 43

March 28. Pay the salaries in cash. Make the proper entries and attend to the filing.

This is the end of the week, but you need not post your books or make out a report until March 31.

## Transaction No. 44

March 30. Nothing has been done this month about the balance due Balkwill & Patch. Mr. Raynor instructs you to send them our note at 15 days, bearing 6% interest.

See Transaction No. 3, page 40, for directions for making out a note.

## Transaction No. 45

March 30. A sale ticket is handed to you. Make out an invoice, make the entry, and file the invoice as in previous similar transactions.

## Transaction No. 46

March 31. R. P. Smiddy has been attending to our draying for city deliveries, at a uniform rate of 10c for each package, with a minimum charge of 25c for each delivery. A bill for this work is left at our office today. (Incoming Paper No. 54.) Mr. Raynor has O.K.'d the bill as to work done. If the charges are correctly extended pay it by check. It is already receipted. Charge Expense.

The item is properly chargeable to Expense, rather than to Mdse. We charge freight and drayage on goods *coming in* to the Mdse. account because these items constitute a part of the cost of the goods as laid down in the store. Freight and drayage on goods *going out*, however, are not part of the original cost of the goods, but are expenses incurred in the carrying on of the business.

## Transaction No. 47

March 31. The bank delivers to Mr. Raynor to-day a statement of his account. This statement is accompanied by the checks that have been paid and canceled by the bank during the month.

The statement is Incoming Paper No. 55. The checks returned are our No. 1, 2, 3, 4, 5 and 6.

Take the six checks from the outgoing papers section and have them endorsed by the proper parties and canceled by the bank.

What is the amount of the unpaid check? How can you explain why this check has not been canceled and returned with the rest?

Post all your books up to date. Remember to post the total of sales to the credit of Mdse.

Student's Report No. 12 should be made out at this time. Be sure you can answer satisfactorily all of the questions on page 52 before handing in the report.

Take a trial balance.

Make a financial statement, loss and gain statement, and proof. In making the statements use the following inventories:

## INVENTORIES March 31.

Merchandise.....	\$4,885.02
Furniture & Fixtures.....	665.00
Expense, 8,000 circulars.....	34.40
11 months' insurance.....	**.**
Salaries due bookkeeper and clerk, 2 days.....	8.57
Interest, Receivable on J. F. Sprague's note, ** days .....	*.**
Receivable on W. H. Harrison's note, ** days.....	*.**
Payable on note favor Ford & Johnson Co., ** days...	**

Outlines for the two statements follow. These outlines show the arrangement of the statements, but the amounts are to be supplied by you.

## Financial Statement, March 31, 19—

ASSETS			
Cash		***.**	
Furniture & Fixtures	Inventory	665.00	
Merchandise	Inventory	4885.02	
Notes Receivable	J. F. Sprague 1/31	***.**	
	W. H. Harrison 2/15	***.**	****.
Harvard Hotel Co.	Dr.	***.**	
	Cr.	***.	** **
A. F. Harvey			**
C. E. Birch	Dr.	***.*	
	Cr.	***.	***.**
A. E. Robson	Dr.	***.**	
	Cr.	***.	**.**
Louis N. Powers		***.**	
B. A. Dalton		**.**	
Expense Inv'tys	8000 circulars	34.40	
	11 Mo. Ins.	**.**	**.**
Interest Inv'tys	Sprague's note, ** ds.	*.**	
	Harrison's note, ** ds.	*.**	**.**
	Total Assets		****.**
LIABILITIES			
Expense Inv'ty	Salaries due, 2 ds.	8.57	
Notes Payable	Cr.	****.**	
	Dr.	***.	***.**
Michigan Stove Co.		***.**	
Detroit Folding Cart Co.		***.	
St. Johns Table Co.		***.**	
W. P. Dunn Co.		**.	
Heywood Bros. & Wakefield Co.		**.**	
Interest Inv'ty	Note favor Ford & Johnson, ** ds.	.**	
	Total Liabilities		****.**
	Net capital		****.**

Note that in the above statement two of the expense inventories are listed as assets, and one as a liability. Also note that two of the interest inventories are assets, and one is a liability. Give the reason for the classification in each case.

Note that the assets are arranged in the order of realization—those most easily converted into cash, first. Cash itself heads the list. Then comes property. Notes take precedence over personal accounts.

The liabilities are arranged in the order of liquidation—those which would have to be paid first are placed first.

Each item taken from the ledger should be preceded by a folio.

## Loss and Gain Statement, March 31, 19—

GAINS				
Merchandise	Cost		****.**	
	(subtract) Invty		4885.02	
	Cost of goods sold		**** **	
	Sales		**** .**	
	(subtract) Cost of goods sold		****.**	***.**
Interest	Credits	* .**		
	(add) Cr. Invty	** .**	** .**	
	Debits	* .**		
	(add) Dr. Invty	** .**	(sub) * .**	* .**
	Total gains			*** .**
Losses				
Furniture & Fixtures	Debits		***.	
	(subtract) Inventory		***.	*
Expense	Debits		***.**	
	(add) Dr. Invty		8 . 57	
	(subtract) Cr. Invty		***.**	***.**
	Total losses			*** .**
	Net gain			*** .**
PROOF				
H. T. Raynor's Investment March 1			****.**	
H. T. Raynor's Net Gain for March			***.**	
Present Worth as per Fin. St.			****.**	

By comparing the two statements you will see that all inventories are used in both. Every inventory is either an asset or a liability and appears as such in the financial statement. Every asset inventory appears in the loss and gain statement as an increase of some gain or a deduction from the amount of some loss. Every liability inventory appears in the loss and gain statement as an increase of some loss or a deduction from the amount of some gain.

To illustrate: The inventory of circulars on hand and the unexpired insurance are assets and appear as such in the financial statement. They appear in the loss and gain statement as deductions from the loss on expense.

The inventories of interest accrued on the two notes receivable are assets and appear as such in the financial statement. They appear in the loss and gain statement as an increase of the amount of gain on interest.

The inventory of salaries due our help is a liability and appears as such in the financial statement. The same inventory appears in the loss and gain statement as an increase of the loss on expense.

The inventory of interest due on notes payable is a liability and appears as such in the financial statement. The same inventory appears in the loss and gain statement as a diminution of the gain on interest.

## CLOSING THE LEDGER

As soon as your statements have been approved you may proceed to close the ledger accounts as follows:

Close Notes Payable and all personal accounts except those which have only one item. The following accounts need only to be ruled up with a double red line, as they balance with only one item on each side: Palmer House Co., C. I. Brown, D. G. Boleyn, The Ford & Johnson Co., Balkwill & Patch, Kimball & Chappell Co.

Close all loss or gain accounts into Loss & Gain. Remember that both Expense and Interest have inventories on both sides. Inventories should be entered separately and brought down as separate items.

Balance the proprietor's account.

Take a balance of the balances. This should check in detail with the assets and liabilities shown by the financial statement.

## THE STOCK RECORD

Read what is said on page 67 about the stock record.

Prepare a stock record and inventory for March. First rule up on a loose sheet of paper a form like the following:

## STOCK RECORD FOR MARCH, 19—

H. T. RAYNOR.

ARTICLE	Bot.	Sold	Left	Cost Price	Amount
No. 1982 mahogany chairs	30		30	250	75
No. 1684 mahogany rockers	45	2	43	566 $\frac{1}{2}$	243.67
No. 184-5 Mission chairs	36	6 5 9	16	225	36
No 417 brass bed	15	1	14	12	168

The above is only a partial form. Prepare a complete stock record. The amounts in the "Bought" column are to be ascertained from the inventory of goods on hand March 1 and from incoming bills. The items in the "Sold" column are to be ascertained from the sales book. The cost prices are to be ascertained from the inventory on hand March 1 and from incoming bills. The total of the "Amount" column should be \$4,885.02, which is the amount of the inventory used in making the statements.

This is a very important record in the furniture business, and one which is usually kept very carefully by furniture dealers, each purchase and sale being recorded at the time of its occurrence. There are certain articles the storekeeper must always have on hand—the stock record will inform him when the stock is getting low. By consulting the record frequently, he can also prevent over-stocking on any particular article. No merchant wishes to have his money tied up in stock that will not be sold for a long time. The merchant is most likely to be successful who can "turn over" his investment oftenest—that is, who can keep his supply down so nearly to the demand that his sales during the year are two or three times the amount of his investment at any time. He will not plan to carry more stock than enough to last him for a few months, and will buy often and in small quantities (unless he can get a liberal discount on a large purchase).

A large city offers usual opportunities to retail merchants to follow this plan, as it is a matter of only a few days or hours to buy anything needed to replenish stock. Some of the smaller merchants

in large cities, within easy reach of wholesale houses, plan to keep only one or two samples of each article of furniture. When these are sold, new stock can be ordered at once and will be delivered to the store almost before the old is sent out.

### Problems

1. An advertiser placed a full page advertisement in the Times through an advertising agency. The space would have cost him \$500.00 had he placed the order direct, but the agency was able to secure a 15% discount from the newspaper. The agency made a charge of 15% of the net bill for its services in placing the advertisement and preparing the copy. How much did the advertiser save?

2. B placed the following advertisements through the C. Co. and advertising agency:

Publication.	Value of space.	Discount	Net cost
Ladies' Home Journal	\$750.00	10%	***.
Saturday Evening Post	500.00	15%	***.
McClure's Magazine	400.00	12½%	***.
			****.
The C. Co. charged for services 15% of net cost			***.**

What did the services of the C. Co. cost Mr. B. over and above what he would have had to pay had he placed his advertising direct?

3. The catalog price of the X Z stove is \$65.00. A dealer bought it at catalog price, securing 25 and 5% trade discounts, and also securing 2% discount for cash. He sold for cash at catalog price. What was his percentage of profit, based upon net cost?

4. A dealer bought \$1,000.00 worth of Mdse. upon the terms 2/10 n/30 ds. Not having the money to pay cash, he borrowed it on the tenth day at 6% and secured the discount. Did he gain or lose by the transaction, and how much?

### TWO WAYS OF ASCERTAINING GAIN

**Condition I.** No additional investment or withdrawals having been made by the proprietor during a given period.

1. The net gain of the business for that period is the difference between the gains and the losses for the period.

2. The net gain is also the difference between the capital at the beginning of the period and the capital at the end of the period.

### ILLUSTRATION:

The trial balance taken from A's ledger on Jan. 31 is as follows:

		A — capital account (unchanged since Jan. 1)			2,500.00
		Mdse. (no Invty.)	1,800.00		2,200.00
		Expense	100.00		
		Cash	2,000.00		
		Notes and Accounts Receivable	1,600.00		
		Notes and Accounts Payable		800.00	
			5,500.00		5,500.00

**EXPLANATION:**

1. The net gain is the difference between the gain, \$400.00 (shown by the Mdse. account), and the loss, \$100.00 (shown by the Expense account).

2. The net gain may also be ascertained as follows:

Assets, \$2,000.00 + \$1,600.00 -	.....	\$3,600.00
Liabilities.....		800.00
Net capital Jan. 31.....		2,800.00
Capital Jan. 1 .....		2,500.00
Net Gain .....		<u><u>300.00</u></u>

**Condition II.** When the proprietor has increased his investment or has made a withdrawal during the period, this must be taken into consideration before the increase of the capital will agree with the amount of gain.

In the above illustration, if Mr. A had withdrawn \$100.00 cash, the trial balance Jan. 31 would have been:

		A — capital account	100.00	2,500.00
		Mdse. (no Invty.)	1,800.00	2,200.00
		Expense	100.00	
		Cash	2,000.00	100.00
		Notes and Accounts Receivable	1,600.00	
		Notes and Accounts Payable		800.00
			<u>5,600.00</u>	<u>5,600.00</u>

**EXPLANATION:**

1. The net gain is, as before, the difference between the gains and the losses (\$400 — \$100 = \$300.00.)

2. The withdrawal of \$100.00 must be deducted from the capital invested Jan. 1, and the remainder deducted from the net capital as shown Jan. 31, in order to find the amount of gain, thus:

Assets Jan. 31. Cash.....	\$1,900	
Notes Receivable.....	<u>1,600</u>	3,500
Liabilities Jan. 31 .....		800
Net capital Jan. 31.....		2,700
Capital Jan. 1.....	2,500.00	
Withdrawal.....	<u>100.00</u>	2,400
Gain.....		<u><u>300</u></u>

## Problems

I. The last time Brown's ledger was closed was Jan. 31, 19—. On Feb. 28, 19—, his trial balance was as follows:

	Brown (capital)		6,000 00
	Real Estate	4,000 00	
	Furniture and Fixtures	1,000 00	
	Mdse.	1,700 00	1,200 00
	Expense	190 00	
	Cash	2,000 00	400 00
	Notes and Accounts Receivable	1,500 00	1,000 00
	Notes and Accounts Payable		1,790 00
		10,390 00	10,390 00

Inventories: Real Estate, \$4,000.00; Furniture and Fixtures, \$990.00; Mdse., \$1,100.00.

Prepare two different statements, showing the two different ways of arriving at the amount of the net gain.

II. Assume that in the preceding case Brown withdrew \$150.00 in cash for personal use during February, and that on February 15 he received a legacy of \$1,000.00 in cash which he added to the capital of his business. Show trial balance and statements Feb. 28.

NOTE. Problems very similar to the foregoing (although more elaborate in detail) are very frequently found in examinations given to candidates for the degree of Certified Public Accountant. The principle involved is that withdrawals from or additions to capital do not reduce or increase profits for the period.

**REVIEW QUESTIONS.** 1. Describe the process of transferring accounts from an old ledger to a new one. 2. What is an insurance policy? 3. Answer the questions on the insurance policy, at the bottom of page 98. 4. Describe how sale tickets are used. 5. What is an expense bill? 6. What may a depositor do if he fails to bring his pass book when making a deposit? 7. What is a "tracer"? 8. How many words are there in the following telegram: "Send me by telegraph \$5000.00 at 7:30 P. M. tomorrow." Write the foregoing telegram in ten words. 9. What is the meaning of the term "F. O. B. New York?" 10. What is a bill of lading? 11. Describe the "straight" bill of lading. 12. Describe the "order" bill of lading. 13. What is a bank draft? Name and define the parties thereto. 14. What is meant by trade discount? 15. Why is a trade discount account not kept in the ledger? 16. How is the net amount of a bill determined when the bill is subject to a series of discounts? 17. Explain how a series of discounts might originate. 18. State two ways of ascertaining the amount of gain or loss for a given period.

## CHAPTER V

### BUSINESS FOR APRIL

**Transaction No. 48.** April 1. Mr. Raynor instructs you to pay the rent as on March 2. Make the payment by check and bring back Mr. Whitney's receipt (Incoming Paper No. 56.)

Write the check. Fill out the check-book stub and deduct the amount of the check from the balance. Detach the receipt from the pad of incoming papers. Make the bookkeeping entry. File the receipt and the outgoing check.

The student is now presumed to be familiar with the bookkeeping and filing required for simple transactions. From this point on, specific directions for bookkeeping and filing will be omitted except in connection with transactions involving features which are unusual or with which the student is not familiar.

**Transaction No. 49.** April 1. A check is received this morning from J. F. Sprague in payment of his note of Jan. 31 and interest at 6%. The check is Incoming Paper No. 57.

Detach the check from the pad. Is it made out for the right amount? If so, take the note from the section of the file marked "Cash Register and Notes Receivable" and cancel it. You will do this by writing diagonally across the face in red ink, "Cancelled April 1, 19—. H. T. Raynor, by (your initials)." Make two entries in the cash book, one for the note and one for interest. Fill out the spaces under the heading "Disposed of," in the bill book. File the check. Return the canceled note to Mr. Sprague by filing it with the outgoing papers.

**Transaction No. 50.** April 2. Mr. Raynor instructs you to settle with the W. P. Dunn Company for the circulars bought of them last month, paying by check.

Refer to the ledger for the amount of this bill, and write the check. Do not forget to fill out the check-book stub. This should always be done before the check is detached. Take the bill from the "Invoices Payable" section of the file and have it receipted by the W. P. Dunn Company. Attend to the bookkeeping and filing.

**Transaction No. 51.** April 2. Deposit the check you received yesterday. Do not forget to add the deposit to the check book stub.

**Transaction No. 52.** April 3. Mr. Raynor has made a sale for cash and hands you the sale ticket.

Detach the sale ticket and verify its figures. Make out an invoice and receipt it. Take the proper amount of currency from the Currency Envelope. Make two bookkeeping entries, one in the sales book and one in the cash book. Attend to the filing.

**Transaction No. 53.** April 4. Deposit \$300.00 in cash.

Are you remembering to add deposits to the check-book stub?

**Transaction No. 54.** April 4. Mr. Raynor instructs you to remit by check to The Michigan Stove Co. the amount of their bill of March 4.

This invoice is now in the "Invoices Payable" section of the file. Write the check. Do not forget the check-book stub. Make the bookkeeping entry. Attach the check to the invoice and mail both to The Michigan Stove Company by filing in the proper section.

**Transaction No. 55.** April 4. Pay the salaries of yourself and Wm. Johnson in cash.

This is Saturday night, but you need not post your books or make out a student's report at this time, as you have had only four days' transactions since the last closing of the ledger.

**Transaction No. 56.** April 6. A sale ticket is handed to you. You know what to do.

**Transaction No. 57.** April 7. Mr. Raynor needs \$100.00 for his personal use. He instructs you to draw a check for the amount, payable to "Currency," and give it to him.

**Filing.** The Michigan Stove Co's invoice, which we paid Saturday, has been receipted and returned to us. Take it from the outgoing papers section, have the receipt written on it and file it with the receipts.

**Transaction No. 58.** April 8. An invoice is received today from The Ford and Johnson Co. on account (Incoming Paper No. 58).

Detach the invoice. See that it is OK'd and the quantities checked. Verify the computations. Attend to the bookkeeping and filing.

**Transaction No. 59.** April 9. Mr. Raynor instructs you to buy \$5.00 worth of 2c postage stamps for office use, paying currency from the cash register.

**Transaction No. 60.** April 10. A sale ticket is handed to you.

Observe that the sale was made on a 15-day note at 6 per cent. Look in the pad of incoming papers for the note (Incoming Paper No. 59).

Detach the sale ticket from its pad and the note from the pad of incoming papers. Make out an invoice and receipt it in the following words: "April 10, 19—. Received 15-day note for the amount of this invoice, H. T. Raynor, by ....." Make two entries, one in the sales book and one in the journal. Record the note in the bill book. File the note and the invoice.

**Transaction No. 61.** April 11. The weekly salaries are now due. Your own salary is paid in cash, but Wm. Johnson has bought four No. 1982 mahogany chairs at cost, which he takes instead of his salary. No invoice is necessary for this.

Take the amount of your salary from the cash register and make an entry in the cash book. Enter the \$10.00 sale in the sales book, charging Expense, with the explanation, "Wm. Johnson, in lieu of salary for week."

It is quite customary among business houses to sell to employees at cost. Employees should never abuse this privilege by buying goods for their friends at this special rate, as such an act is dishonest.

Post your books up to date. You need not take a trial balance. Close the cash book.

**Student's Report No. 13** should be made out at this time.

**Transaction No. 62.** April 13. Louis N. Powers stepped in to the office today and made arrangements with Mr. Raynor to give us \$300.00 in cash and his 60-day note at 6 per cent for the balance, to cover his account. The note is Incoming Paper No. 60.

Detach the note from the pad; take \$100.00 from the outgoing papers file and \$200.00 from the currency envelope. See that the note is correctly made out in every respect and signed by Louis N. Powers. Consult your ledger to see whether the amount received is correct. Write receipts on the bottoms of the invoices covered by the payment. The receipts should show that the first invoice was paid in cash, and that the second was paid part in cash and part by note.

**Transaction No. 63.** April 13. Deposit the \$300.00 received today. Do not forget the check-book stub.

**Transaction No. 64.** April 13. A sale ticket is handed to you.

**Transaction No. 65.** April 13. Mr. Raynor instructs you to mail a check to the Detroit Folding Cart Co. in settlement of the invoice received by us on March 13.

**Transaction No. 66.** April 14. Mr. Raynor has learned that B. A. Dalton's business affairs are in bad shape and thinks it likely that his creditors may force him into bankruptcy very soon. Rather than risk the trouble, delay, and loss that bankruptcy proceedings would result in, Mr. Raynor has determined to compromise with Mr. Dalton and take \$20.00 spot cash for the account against him. The balance of the bill is a loss.

Take \$20.00 from the outgoing papers section. Make an entry in the cash book crediting B. A. Dalton, with the explanation "To settle account." Make another entry, in the journal, debiting Loss and Gain and crediting B. A. Dalton for the amount of the loss. Follow this journal entry by a complete explanation which sets forth the conditions of the settlement in detail. Give Mr. Dalton a receipt for the full amount of his account.

**Transaction No. 67.** April 14. Mr. Raynor instructs you to give Balkwill & Patch a check for our note in their favor due today with interest.

Refer to your bill book for the facts in regard to this note. Compute the interest and draw a check for the full amount. Don't forget to fill out your check-book stub. Take the note from the outgoing papers section and have Balkwill & Patch's cancellation written upon it. Make two entries in the cash book, and make the proper memorandum of payment in the bill book. File the canceled note and the check.

**Transaction No. 68.** April 15. A sale ticket is handed to you.

**Transaction No. 69.** April 16. A check is received from W. H. Harrison to cover the amount of his note in our favor and interest. The check is Incoming Paper No. 61. (See Transaction No. 49.)

**Transaction No. 70.** April 17. Deposit the check received yesterday.

**Filing.** The Detroit Folding Cart Co. has returned the invoice we paid on April 13, receipted. Take the invoice from the outgoing papers file, have the receipt written on it, and file it properly.

**Transaction No. 71.** April 18. Pay the salaries for the week. The cash must be secured from the bank by a check to currency.

Post your books. Do not post the sales book total.

**Student's Report No. 14** should be made out at this time.

Close your cash book and take a trial balance. The trial balance should include the cash balance and the unposted pencil footing of the sales book.

**Transaction No. 72.** April 20. A sale ticket is handed to you.

Note that this ticket is different from the others which you have received. It does not contain the name and address of the party to whom the sale was made. Mr. Raynor does not care to keep accounts with parties making occasional small purchases for cash, and requests you to open an account called "Petty Cash Sales." This account will be debited for all such sales, through the sales book, and will be credited, at the same time, through the cash book. When both the debit and the credit of a given petty cash sale are posted, they will balance each other, so that the Petty Cash Sales account will always balance. Inspection of the ledger at any time after posting will show what the petty cash sales have amounted to.

Take \$3.00 from the outgoing papers section of the file. No invoice is to be made out. Make an entry in the sales book, debiting Petty Cash Sales. Make another entry in the cash book, crediting Petty Cash Sales.

**Transaction No. 73.** April 21. A freight notice is received (Incoming Paper No. 62). Sign it and deliver it to the railroad company by filing it with the outgoing papers. Later in the day the freight arrives and we are handed an expense bill (Incoming Paper No. 63). Pay the expense bill (which is already receipted) in currency.

**Transaction No. 74.** April 21. Mr. Raynor hands you the bill for the goods just received (Incoming Paper No. 64). It is OK'd and the item checked. Verify the computation and make the entry. File the bill.

**Transaction No. 75.** April 22. In accordance with Mr. Raynor's agreement with the St. Johns Table Company you are to mail them our 60-day notes bearing 6 per cent interest to cover the two invoices for which we owe them, each note being dated as of the date of the invoice which it covers.

Make out one note to cover the invoice received March 16, and date it as of the date of the invoice (March 7). Make out another note to cover the invoice received yesterday and date it also as of the date of the invoice (April 16).

Make a journal entry in the following form:

		St. Johns Table Co. .... Notes Payable. .... Notes Payable. ....	***		*** ** *** **
		Remitted the St. Johns Table Company our notes as follows: 60-day note at 6 per cent., dated Mar. *, to cover their invoice of same date, \$***.**; and 60-day note at 6 per cent., dated April **, to cover their invoice of same date, \$**.** .....			

The two notes payable are listed separately in the above entry. They will be posted separately. The items in the ledger account may then be readily compared with the bill book items.

Take the two invoices from the "Invoices Payable" file, attach to them the notes respectively covering them, and mail them to the St. Johns Table Company by placing them in the outgoing papers file.

**Transaction No. 76.** April 23. A sale ticket is handed to you.

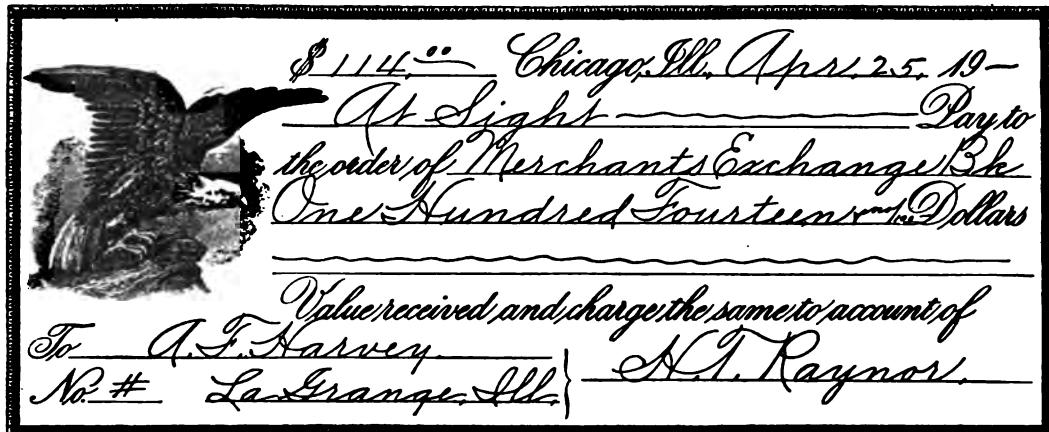
**Transaction No. 77.** April 24. Mr. Raynor instructs you to give Heywood Brothers and Wakefield Company a check for the amount of the invoice bought of them on March 24. Have them receipt the invoice.

**Filing.** The St. Johns Table Company has returned the two invoices which we paid by note April 22. Take them from the outgoing papers section, have receipts written on the bottoms of them, and file them.

**Transaction No. 78.** April 25. On the 1st of March and again on the 1st of April, Mr. Raynor made attempts to collect \$56.75 from A. F. Harvey, La Grange, Ill., for goods bought on Feb. 15. (This balance showed in the opening journal entry of Mr. Raynor's new books, March 2.) He now instructs you, without further parley, to draw on Mr. Harvey for the full amount due us on his account; this includes the invoices of March 25 and of April 15.

Before following out this instruction, study carefully the form of draft shown below and the explanation which follows it.

## FORM OF DRAFT.



**Explanation:** The above is an order, or demand, made by H. T. Raynor upon A. F. Harvey. The demand is made through a bank rather than by Mr. Raynor in person. Four principal advantages of making collection in this manner are: *First*, it is convenient. Mr. Harvey lives outside of the city. Mr. Raynor does not need to bother hunting up a collecting agency. His own bank, or any bank, will attend to the matter. *Second*, it is inexpensive. The bank's fee, which is deducted from the proceeds of collection (or, in case collection is not made, charged to the drawer) is very small as compared with what a collecting agency would charge. *Third*, the chances of collection are reasonably good, as many business men dislike to let bankers know that they are refusing to pay bills. *Fourth*, if payment be refused, the fact of the refusal would thus be established in a definite, formal manner. The drawer would no longer be in doubt as to whether the drawee intended to pay, and might proceed at once to take legal steps to collect.

**Interpretation:** If the above demand were made in the form of a letter, the letter would read:

(To) A. F. HARVEY,  
La Grange, Ill.

CHICAGO, Ill., April 25, 19—.

(DEAR SIR):

At sight (*i. e.*, when you see this) pay to the order of the Merchants Exchange Bank, one hundred fourteen and no/100 dollars. (This is for) value (you have) received (from me). (When you have paid this money), charge the same to (the) account of

(Yours truly),  
H. T. RAYNOR.

**Parties:** The parties to a draft are the *drawer*, who "draws," or makes demand (in this case, Mr. Raynor); the *drawee*, or party drawn upon (in this case, Mr. Harvey); and the *payee* (in this case, the bank or its order).

Write out the draft upon a blank which you will detach from the pad of blank drafts. Write a short letter, as short as you can make it, to the Merchants Exchange Bank, stating that you are enclosing the draft for "collection and deposit." (That means that you instruct them to keep the returns from the collection, as a deposit to your account.)

When a drawee does not wish to deposit the proceeds of his draft, but to receive them in cash, he sends the draft to the bank for "Collection and Returns," which means that the net proceeds are *returned* to him.

Write another short letter to A. F. Harvey, notifying him that you have drawn upon him, stating the amount drawn, and enumerating the items covered by the draft.

Note. No bookkeeping entry will be made at this time. A memorandum of the fact that the draft has been drawn, made on the stub from which the draft was detached, is sufficient. Sometimes a register (or memorandum of drafts) is kept. The bookkeeping entry is made after the returns are in. If there are no returns, no entry is made.

**Transaction No. 79.** April 25. A check is received from C. E. Birch (Incoming Paper No. 65), which Mr. Raynor informs you is supposed to cover the invoice of goods sold Mr. Birch on March 4 and Mr. Birch's note of April 10 with interest.

Detach the check from the pad of incoming papers and ascertain whether the amount is correct. If you find it correct, make the entry. Receipt the invoice. Cancel the note and deliver it to Mr. Birch.

You will observe that Mr. Raynor's name is spelled incorrectly on the body of the check. What are you going to do about it when you deposit?

**Transaction No. 80.** April 25. Pay the salaries in cash. If there is not enough currency in the cash register, draw a check for the entire amount.

This is the end of the week. Post your books and make out **Report No. 15.** Close your cash book.

**Transaction No. 81.** April 27. Deposit the check received Saturday.

When you endorse the check for deposit, write Mr. Raynor's name as it is spelled in the body of the check. Then write Mr. Raynor's name again just below this, spelling it correctly.

**Transaction No. 82.** April 27. Mr. Raynor instructs you to pay the Michigan Stove Co. by check the balance due them. Proceed as in previous similar transactions.

**Transaction No. 83.** April 28. Two sale tickets are handed to you.

The amounts on one of the sale tickets are to be filled in from your list prices.

For the satisfaction of yourself and your partner, make an estimate of the amount of profit made today. Estimate roughly the average daily cost of doing business by dividing last month's expenses by the number of work days in the month. Figure the profits on today's sales by comparing costs and selling prices. The difference will show you approximately how much profit you have made to-day.

**Transaction No. 84.** April 29. An invoice is received today from S. Karpen & Bros. (Incoming Paper No. 66). Observe that it is dated April 28 and that the terms are "30-day note at 6 per cent."

Detach the invoice. If it is OK'd and checked, make out a note, dating it April 28. Mr. Raynor will sign the note. Make two bookkeeping entries, both in the journal. The first entry will credit S. Karpen & Bros. and the second will debit them. Make the proper record in the bill book. The invoice is already receipted.

**Transaction No. 85.** April 30. A check is received in today's mail (Incoming Paper No. 67).

The check is accompanied by a "voucher" (Incoming Paper No. 68). This is a form which Mr. Boleyn uses in his office, which he wants you to sign and return as a receipt.

Detach the check and voucher from the pad. Read the voucher carefully. As far as you are concerned, the voucher is nothing but a form of receipt which Mr. Boleyn has prepared in advance for you, ready for your signature. He has not returned your original invoice, as is usually done,

because the voucher itself contains all data, and enumerates in detail the items covered by the payment.

Make an entry in your cash book for the amount received, in the usual way. Fill out and sign the receipt form in the lower right hand corner of the voucher and return the voucher.

**Vouchers.** Some firms, rather than keep accounts with houses from which they buy, use a "voucher system" for keeping track of invoices payable. When an obligation is incurred a voucher is made out at once, and this voucher is kept on file, or left attached to its stub, until the time for the payment arrives. The voucher itself serves as a constant reminder that the bill is unpaid. When the due date, or date of the maturity of the obligation, arrives, the bill is paid. The voucher is at that time detached from its stub, or taken from the file, and mailed with the remittance. At the bottom of the voucher is a blank form in which the payee's receipt is to be written. The payee fills out and signs this receipt, and returns the voucher. When the voucher is returned to the office from which it went out, it is filed; filing is facilitated by the fact that the vouchers are all of the same size and shape. When bills are paid in cash, voucher forms are used nevertheless, the voucher being signed at once by the payee. Vouchers should be issued for all payments.

Some houses, instead of using regular voucher blanks, stamp voucher forms on the backs of incoming bills, using a rubber stamp for the purpose. This is very unsatisfactory on account of the variation in size and shape in the different incoming bills, and for the further reason that in any event the house would be compelled to have on hand regular voucher forms for use when cash payments were made for items for which no bills were submitted, as for instance when postage stamps were bought for cash.

**Voucher Bookkeeping.** Posting is usually done direct from the vouchers themselves or from their stubs. The voucher is therefore an integral part of the bookkeeping system of the person paying and must always be promptly returned to him by the payee. Sometimes a Voucher Register is kept which is similar in form and nature to the bill book.

You cannot at this time expect to fully understand the voucher system. It is sufficient for your present purpose if you understand *what* a voucher is, and realize the importance of returning promptly any vouchers which may come to you for signature.

Do not confuse the word "voucher" as here used, with the more broad and general use of the word. Any receipt or paper evidencing a transaction is a *voucher* in a broad sense. You have been receiving and making out *vouchers* from the beginning of the course. The paper you received to-day is a *special form of voucher* used by Mr. Boleyn.

**Transaction No. 86.** April 30. Deposit the check received to day.

**Transaction No. 87.** April 30. A sale ticket is handed to you.

See Transaction No. 72. Get the cash from the outgoing papers file.

**Transaction No. 88.** April 30. Louis N. Powers steps into the office today with \$100.00 in cash which he wishes to apply on his note in our favor.

Take \$100.00 in currency from the currency envelope. Take Mr. Powers' note from the "Cash Register and Notes Receivable" file and write upon the back of it in the place usually used for endorsement, the words, "April 30, 19—. Received \$100.00 on this note. H. T. Raynor, by (your initials)." Give Mr. Powers a receipt for his money. The last line of the receipt (preceding the signature) should read, "To apply on note dated April 13, 19—." Replace the note in the "Cash Register and Notes Receivable" file. Attend to the bookkeeping and file the cash. Make a memorandum of the part payment in the "Disposed of" columns of the bill book. Do this by writing "April 30" in the "When" column, "\$100.00" in the "Amount Paid" column, and "Cash" in the "How" column, writing in small, neat figures close to the line above the space in which you are writing, so as to leave plenty of room for the entry which will be made when Mr. Powers finally redeems the note.

**Transaction No. 89.** April 30. August Reese has scrubbed the floors and cleaned the windows today. Pay him \$2.00 for his day's work.

**Transaction No. 90.** April 30. A. E. Robson pays \$50.00 in cash on account. Give him a receipt. Take the currency from the outgoing papers file.

**Transaction No. 91.** April 30. Mr. Raynor has today made you an offer of a one-fourth interest in the business, and you have accepted the offer. You will therefore draw a check for \$13.33, the amount of your salary up to tonight, which check Mr. Raynor will sign. Proceed as in previous similar transactions.

**Transaction No. 92.** April 30. The bank's monthly statement (Incoming Paper No. 69) arrives in today's mail, accompanied by ten canceled checks.

The checks returned are listed on the statement. Proceed as on March 31. There are two outstanding checks this month. These will have to be taken into consideration in reconciling the bank balance as per the bank statement with the balance shown by your check-book stub. This reconciliation will be shown by the bank proof, which you will fill out on this week's report.

You will note that the dates written opposite the checks listed in the bank statement do not in many cases agree with the dates of the checks. This is because the date given on the statement in each case is the date of the payment of the check by the bank, which is usually later than the date on which the check was issued.

Post to date. The sales book total should be posted to Mdse. at this time.

Close the cash book and rule up the sales book.

**Report No. 16** should now be made out.

Take a trial balance.

When the trial balance has been approved, make statements, using the following inventories:

Merchandise.....	5032.02
Furniture & Fixtures.....	660.00
Interest Receivable.....	
Louis N. Powers' note .....	**
Interest Payable	
On note favor The Ford & Johnson Co., ** days at 6 per cent.....	*
On note favor St. Johns Table Co., ** days at 6 per cent .....	**
On note favor St. Johns Table Co., ** days at 6 per cent .....	**
On note favor S. Karpen & Bros., * days at 6 per cent .....	**
Expense	
10 months' insurance .....	**.**
Unpaid salary due Wm. Johnson .....	5.71

Observe that one of the expense inventories is a resource, and that the other is a liability.

In making the loss and gain statement, you will find that this month the losses exceed the gains. Rule up the statement just as you would ordinarily, but subtract the upper figure (total gains) from the lower figure (total losses). The result is the net loss of the business for April. In the proof, this must be subtracted from the investment to give the net capital, which will then be in agreement with the net capital shown by the financial statement.

Make out a stock inventory as you did on March 31. Its results should agree with the inventory of Mdse given above.

When your statements have been approved, close the ledger. The result of the loss and gain account will be a loss and this will be closed to H. T. Raynor's account, in which it will be entered on the debit side.

After the ledger has been closed, take a balance of balances.

#### Monthly Statements.

It is the custom among most business houses to submit to their customers, usually monthly, statements of account. There are many forms of statements used, but the form described in the following is probably the most popular and the most satisfactory.

First, let us assume that the customer has received an invoice every time he has bought a bill of goods. This invoice has shown in detail the items sold to him at that particular time, enumerating the articles sold, the quantity and price of each, and the total of the bill. It is not necessary that all this information be repeated in the statement, as the customer should save his invoices, and can ascertain the details from them.

If statements are rendered monthly, no statement needs to contain more than the transactions of the month which it covers, if the balance due at the beginning of the month be included.

The first item on a monthly statement should be the balance due on the first of the month, as shown by the last statement which was rendered. This is followed by an enumeration of the dates and totals of the several invoices sold to the customer during the month, and the footing is shown. Below this is an enumeration of the dates and amounts of the several payments that have been made during the month, with the total shown. This total is subtracted from the total of debits. The result is the balance of the customer's account.

A statement is not always to be considered a demand for payment. If the customer should buy goods on long time credit so that the amount will not be due for some time after the date when the statement is made out, the amount of that invoice is shown on the statement nevertheless, for his information. Statements containing such items are usually marked, "This is a statement of account and is not a demand for payment," or words to that effect. Statements of accounts which are due or overdue, often contain the words, "Please remit."

In some lines of business, as, for instance, the retail grocery business, monthly statements often show in detail all articles sold during the month, in spite of the fact that the articles have been listed in detail in the separate invoices which accompanied the goods. This is often done in the retail grocery business because many householders are careless and fail to save the invoices. This is called an itemized statement.

On page 128 is a statement of C. E. Birch's account April 30.

Render statements to all of H. T. Raynor's customers who owe anything on account. The items for the statements should be taken from the ledger accounts. Submit these statements to your teacher for approval. When approved, file them with the outgoing papers.

It is not necessary to make out statements to creditors, as they will make out statements to Mr. Raynor. Statements are submitted to customers only.

#### Partnership Problems

1. A and B are partners with investments of \$6,000.00 and \$8,000.00, respectively, at the beginning of a certain year. Their agreement is to share gains or losses in proportion to their investments. At the end of the year their combined investment is \$20,000.00. Neither partner withdrawing any profit, what is the investment of each?

2. C, D, E are partners with investments of \$4,000.00, \$5,000.00 and \$6,000.00, respectively. Their agreement is that losses or gains shall be divided as follows: C, 25 per cent; D, 35 per cent; E, 40 per cent. At the end of the year the business is worth \$21,500.00 before any profits are withdrawn. Each partner withdraws  $\frac{1}{2}$  of his gain and leaves the rest in the business. What is the investment of each for the following year?

3. X and Z are partners with respective investments at the time of going out of business of \$8,000.00 and \$12,000.00. Their agreement as to division of profits and losses is that X shall receive  $\frac{1}{3}$  of all profits and bear  $\frac{1}{3}$  of all net losses. The net losses incurred in winding up the affairs of the business were \$750.00. How did they divide the capital remaining?

4. M, N and O are partners with respective interests of \$8,000.00, \$10,000.00 and \$12,000.00 on Jan. 1, 1909. M is a silent partner, drawing no salary. N draws a salary of \$1,500.00 per year and O draws a salary of \$2,500.00 per year. Profits are divided equally. On Jan. 1, 1910, the capital of the firm is \$40,000.00 before the partners' salaries are paid. If all salaries and profits are left in the business, what is the interest of each partner on Jan. 1, 1910?

5. Smith, Brown and Jones are partners under an agreement to divide profits and losses equally after each has been allowed 7 per cent on his investment. Their investments, July 1, 1909, were as follows: Smith, \$7,500.00; Brown, \$10,000.00; Jones, \$15,000.00. On July 1, 1910, the capital of the firm is \$41,350.50, no interest or profits having been withdrawn by any partner. What is the investment of each?

## STATEMENT

CHICAGO, ILL. Apr. 30, 19—

M C E Birch,  
1224 Harrison St., City,

IN ACCOUNT WITH **H. T. RAYNOR**

364 WABASH AVE.

19-		Stat. rendered.	272	75		
Mar. 31		To Mdsel.	66	50		
Apr. 10						
28			327	50		
					666	75
		Credits				
Apr. 10		By note	66	50		
25		cash	272	75		
					339	25
		Balance due			327	50

## REVIEW

## Rules for Journalizing

<i>Debit</i>	<i>Credit</i>
Cash, when cash is received	Cash, when cash is paid out
Notes Receivable, when a note signed by others is received	Notes Receivable, when a note signed by others is disposed of
Notes Payable, when we redeem our note	Notes Payable, when we issue a note
Persons, when they cost us value	Persons, when they return or produce us value
Real Estate, when it costs us value	Real Estate, when it produces returns through sale
Mdse., when it costs us value	Mdse., when it produces returns through sale
Expense, when it costs us value	Expense, when items for which it has been debited are disposed of for value or rebates on such items made to us
Interest, when it costs us value	Interest, when it produces returns
Loss & Gain, for the separate losses of the business	Loss & Gain, for the separate gains of the business
The Proprietor, for his withdrawals and for the net loss of the business	The Proprietor, for his investments and for the net gain of the business

A thoughtful inspection of the rules given above will show you that there are but three rules for debiting accounts and three rules for crediting accounts, as enumerated in the following:

## General Summary of Rules

*Debit Any Account*

When the thing it names is received  
When the thing it names costs us value  
When the thing it names occasions a loss

*Credit Any Account*

When the thing it names is disposed of  
When the thing it names produces returns  
When the thing it names produces a gain

Further reflection should show you that when a thing is received it costs; and that when a thing occasions a loss, it costs. Also that when a thing is disposed of, it produces returns; and that when a thing produces a gain, it produces a return. The foregoing being true, we can reduce our rules down to a short general rule that will cover all cases, as follows:

**GENERAL RULE.** Debit the account of that which costs; credit the account of that which produces returns.

Let us see whether this general rule can be applied to all accounts. Refer to the separate rules for each account, at the top of the page. The first one reads, "Debit cash when cash is received." Can we apply the general rule, "Debit the account of that which costs"? Yes, because cash received costs us something of value with which we have to part to get the cash. The same applies to Notes Receivable and Notes Payable—in order to receive them, we must part with something of value; therefore, they cost us. In the case of Persons, Real Estate, Mdse., Expense, and Interest, the separate rules as they stand state that these accounts are debited when they cost us value. The rule for debiting the Loss & Gain account reads, "Debit Loss & Gain for the separate losses of the business." A loss is certainly a cost. The rule for debiting the proprietor reads, "Debit him for his withdrawals." A withdrawal is certainly a cost to the business. From all of this, we have determined positively that the single rule, "Debit the account of that which costs us value," can be applied in all cases.

Similarly, it can be shown that cash paid out, notes receivable disposed of, and notes payable issued, all produce returns, since we always receive something of value in exchange for things we part with. It is also evident that gains are returns. From this we deduce positively that the single rule, "Credit the account of that which produces returns," can be applied in all cases.

Commit to memory, therefore, the general rule "Debit the account of that which costs value; credit the account of that which produces returns." Or, if it seems more clear to you, learn the rule, "Debit the account of that which is received or costs value; Credit the account of that which is disposed of or produces returns." Having learned the rule, bear it constantly in mind and apply it in all cases. You cannot make a mistake in journalizing if you always remember this rule and never violate it.

**RECAPITULATION**  
**AND**  
**SUMMARY OF DEFINITIONS**

You now have a practical working knowledge of bookkeeping in its simpler forms. You understand the fundamental principles of accounting, and are familiar with the language of business. At this point you should thoroughly master the definitions which follow on the next two pages, the meaning of which should now be very clear to you.

<sup>1</sup>*A business transaction* consists of the exchange (see definitions 28 to 33), between the parties thereto (see definitions 2 to 5), of things of value (see definitions 6 to 18). <sup>2</sup>*The parties* to a business transaction may be individuals, firms, or corporations. <sup>3</sup>*An individual* conducting a business is called a *proprietor*. <sup>4</sup>*A firm or partnership* consists of two or more persons who unite their capital or efforts, or both, for the purpose of carrying on a business. <sup>5</sup>*A corporation* is an association of individuals, existing under a state charter and acting as one individual. <sup>6</sup>*Things of value* which may form the subject-matter of a business transaction may be real estate, commodities, services, valuable promises (written, oral, or implied) or any other thing having a value which can be estimated in money. <sup>7</sup>Foremost in importance among valuable things which may be exchanged are cash, property, services, written promises to pay money, and oral or implied promises to pay money. <sup>8</sup>*Cash* includes coin, currency, checks, bank drafts, postal and express orders and other papers (except sight drafts not drawn on banks and demand notes, aside from U. S. currency) payable in cash or on presentation. <sup>9</sup>*Property* may be real or personal. Separate accounts are usually kept with the different kinds of property, such as real estate, furniture and fixtures, merchandise, etc. <sup>10</sup>*Services* which have a monetary value may be exchanged for money or other valuable consideration. <sup>11</sup>*Written promises to pay* are usually notes or accepted drafts. <sup>12</sup>*An accepted draft* is one which the drawee has agreed to pay. (You will learn more about this in the section on Drafts, Part II). <sup>13</sup>*Notes or accepted drafts in our favor* are called *Notes Receivable* or Bills Receivable. <sup>14</sup>*Notes or drafts which we must pay* are called *Notes Payable*. <sup>15</sup>Oral or implied promises to pay are claims against persons for debt. These you have been taught to call *personal accounts*. <sup>16</sup>*Interest* is the use of money belonging to another. This is a valuable thing and one which is made the subject matter of many business transactions. <sup>17</sup>*Expense* is a name given to all amounts expended for the purpose of carrying on the business. When such items are not classified under some special title, they are called expense. <sup>18</sup>Separate records may be kept of certain classes of expense such as rent, postage, insurance, etc., if desired.

<sup>19</sup>*Bookkeeping* is the science of making a systematic record of business transactions. <sup>20</sup>These records are made in books of original entry, auxiliary books, and the ledger, which is the book of final entry. <sup>21</sup>*Books of original entry*, as the term implies, are the books in which the transactions are directly recorded at the time of their occurrence. <sup>22</sup>The journal, sales book, and cash book are books of original entry. <sup>23</sup>Books of original entry are characterized by the fact that in them entries are made at the time of their occurrence and in the order of their occurrence and the fact that entries in them are posted to the ledger. <sup>24</sup>*Posting* is the process of transferring transactions from books of original entry to the ledger. <sup>25</sup>*The ledger* is the book of final entry to which transactions are posted. <sup>26</sup>The ledger is characterized by the fact that in it transactions are classified under their proper headings, in accounts. <sup>27</sup>*Auxiliary books* are books of memorandum.

<sup>28</sup>Every business transaction, as stated in definition 1, involves an *exchange of values*— one thing is given, another thing is received. <sup>29</sup>The thing which is received, costs the business, and the account with that thing is *debited*. <sup>30</sup>The thing which is given or disposed of, produces a return, and the account with that thing is *credited*. <sup>31</sup>*An account* is a list of debits and credits affecting the same person or thing, grouped together under one heading in the ledger for the purpose of showing some particular result in regard to that thing. <sup>32</sup>To *debit* means to charge. We debit the account of the person or thing which costs the business something. <sup>33</sup>To *credit* means to give credit for. We credit the account of that person or thing which produces value.

<sup>28</sup>Accounts may be divided, as to the *results shown* (see definition 19), into two general classes: (a) Those which exhibit as a result either an asset or a liability. (b) Those which exhibit as a result either a loss or a gain. The former are called *Financial accounts*; the latter are called *Loss or Gain accounts*. <sup>29</sup>*Single Entry* bookkeeping is a method of bookkeeping in which usually, accounts with persons and cash only (all Financial accounts) are kept. Hence, ordinarily, only the debit side or the credit side of a transaction is recorded and separate losses and gains are not shown. <sup>30</sup>*Double Entry* bookkeeping is a method in which a record is made of both debits and credits in every transaction. Accounts are kept with losses and gains as well as with all assets and liabilities, and hence the progress of the business can be shown as well as its condition, at any time.

<sup>31</sup>The purpose of bookkeeping is to keep a record of all transactions in such a way that the result of any account can be determined, and that the condition and progress of the business, as a whole, can be determined at any time. <sup>32</sup>The condition of the business can be determined from the Financial accounts and the inventories. <sup>33</sup>An *inventory* is a list of property showing the kinds and quantities on hand and their valuations. <sup>34</sup>The statement setting forth the condition of the business is called the *Financial Statement*. <sup>35</sup>The *Financial Statement* shows the assets and the liabilities. <sup>36</sup>*Assets*, or resources, are property on hand or other things of value belonging to the business. <sup>37</sup>*Liabilities* are debts. <sup>38</sup>The difference between the assets and the liabilities shows the condition of the business and is called the *Net Capital*, or *Net Worth*, or *Net Investment*. <sup>39</sup>The progress of the business is its gain or loss. <sup>40</sup>Progress is shown by accounts closing with gain or loss. <sup>41</sup>The statement showing gains and losses is called the *Loss and Gain Statement*. <sup>42</sup>*Double Entry* bookkeeping shows the *separate gains and losses* of the business, and the net gain or loss can be determined by a comparison of gains and losses. <sup>43</sup>*Single Entry* bookkeeping does not show separate gains and losses at all, and the net profit or loss can be determined only by a comparison of the *Financial Statement* taken at one time with the *Financial Statement* taken at some earlier time.

Review carefully all of Chapter I.

Review the sections on Statements and Closing the Ledger, pages 56 to 66.

Review the instructions on the Sales Book, page 70, the Bill Books, pages 74-75, and the Cash Book, pages 87 to 90.

Answer the following questions, based on the definitions given on this and the preceding page. Each question is followed by a number indicating the number of the definition which will answer the question.

### QUESTIONS

- (1) What is a business transaction?<sup>1</sup> (2) What does every business transaction involve?<sup>2</sup>
- (3) Who may be parties to a business transaction?<sup>3</sup> (4) What is meant by "things of value"?<sup>4</sup> (5) Define "proprietor".<sup>5</sup> (6) Define "partnership".<sup>6</sup> (7) Define "corporation".<sup>7</sup> (8) Name five important classes of things of value.<sup>8</sup> (9) What is cash?<sup>9</sup> (10) Give two general divisions of property.<sup>10</sup> (11) When are services "things of value"?<sup>11</sup> (12) Name the two principal kinds of written promises to pay.<sup>12</sup> (13) What is an accepted draft?<sup>13</sup> (14) What are Notes Receivable?<sup>14</sup> (15) What are notes Payable?<sup>15</sup> (16) What is meant by "personal accounts"?<sup>16</sup> (17) Define Interest.<sup>17</sup> (18) Define Expense.<sup>18</sup> (19) What is bookkeeping?<sup>19</sup> (20) What are its purposes?<sup>20</sup> (21) Name three classes of books. Define and describe each.<sup>21-27</sup> (22) What is an account?<sup>28</sup> (23) Define "debit" and "credit".<sup>29-33</sup> (24) Divide accounts into two classes. How can you tell to which class a given account belongs?<sup>34</sup> (25) What is Single Entry bookkeeping?<sup>35</sup> (26) What is Double Entry bookkeeping? State its principal advantage.<sup>36</sup> (27) How can the condition of the business be determined?<sup>37</sup> (28) How can the progress of the business be determined?<sup>38</sup> (29) What is the *Financial Statement*, and what does it show?<sup>39-41</sup> (30) What is the *Loss and Gain Statement*?<sup>42</sup> (31) Define "assets".<sup>43</sup> (32) What are "Liabilities"?<sup>44</sup> (33) What is the difference between assets and liabilities called?<sup>45</sup>

## ADDITIONAL PRICE LISTS

Providing twenty price lists for the Furniture Business in addition to the six given on page 103

	List 7	List 8	List 9	List 10	List 11	List 12	List 13	List 14	List 15	List 16
No. 417 brass beds.....	\$18.00	\$18.10	\$18.20	\$18.30	\$18.40	\$18.50	\$18.60	\$18.70	\$18.80	\$18.90
No. 584 brass beds.....	27.05	27.10	27.15	27.20	27.25	27.30	27.35	27.40	27.45	27.50
No. 6030 brass beds.....	30.00	30.25	30.50	30.75	31.00	26.50	26.75	27.00	27.25	27.50
No. 911 iron beds.....	3.00	3.10	3.20	3.30	3.40	3.50	3.05	3.15	3.25	3.35
No. 6529 hair mattresses.....	25.00	24.00	24.25	24.50	24.75	25.00	25.25	25.50	24.10	24.20
No. 2460 felt mattresses.....	6.00	6.05	6.10	6.15	6.20	6.25	6.30	6.00	6.05	6.10

	List 17	List 18	List 19	List 20	List 21	List 22	List 23	List 24	List 25	List 26
No. 417 brass beds.....	\$19.00	\$18.05	\$18.15	\$18.25	\$18.35	\$18.45	\$18.55	\$18.65	\$18.75	\$18.85
No. 584 brass beds.....	27.55	27.60	27.65	27.70	27.75	27.80	27.85	27.90	27.95	27.50
No. 6030 brass beds.....	27.75	28.00	28.25	28.50	28.75	29.00	29.25	29.50	30.00	30.50
No. 911 iron beds.....	3.45	3.50	3.25	3.00	2.75	2.80	2.90	3.00	3.10	3.20
No. 6529 hair mattresses.....	24.30	24.40	24.50	24.60	24.70	24.80	24.90	25.00	24.50	24.25
No. 2460 felt mattresses.....	6.20	6.30	6.40	6.50	6.15	6.25	6.35	6.40	6.45	6.00

## **APPENDIX**

### **SINGLE ENTRY**

## APPENDIX—SINGLE ENTRY

## PRELIMINARY CONSIDERATIONS

You have now mastered the elementary principles of double entry bookkeeping. This will make the work of single entry very easy, as there is nothing in single entry that you have not already learned in double entry. Before proceeding with the single entry set, however, work the following problems:

**Problem I.** W. S. Ashby keeps a double entry ledger. On June 30, 1910, he attempted to take a trial balance but found that one page of the ledger, the page on which was his own account as proprietor, had been so defaced that the balance could not be read. Everything else was legible and correct. Make a copy of the partial trial balance shown below and complete it by inserting W. S. Ashby's balance and the footings:

W. S. ASHBY'S PARTIAL TRIAL BALANCE, JUNE 30, 1910

Cash	1526	72	
Real Estate	5000	00	
Furniture & Fixtures	670	00	
Mdse	4000	00	4250
Expense	500	00	30
J. S. Dickey	500	00	
J. L. Harmon	363	50	
Cherry Bros.			1076
W. S. Ashby			85
	*****	**	*****
	*****	**	*****

**Problem II.** A. C. Minter keeps a single entry ledger. On July 31, 1910, he found that the page of his ledger on which his account as proprietor had been kept had been destroyed. Since a single entry ledger contains no accounts except with persons, the only information that can be secured from Mr. Minter's ledger is that personal accounts receivable and payable stand as follows: C. V. Burton, Dr., \$49.60; Cr., \$10.00. A. D. Taylor, Dr., \$175.60; Cr., \$62.50. H. P. Towers, Dr., \$265.00; Cr., \$125.50. Libby & Son, Dr., \$100.00; Cr., \$243.64. Manning & Martin, Cr., \$215.00

Your problem is to find Mr. Minter's present worth, or the net capital of the business. If there were no other assets or liabilities besides the personal accounts in the ledger, the problem would be simple. But you know that there are usually other assets, and you expect to find them in this case. You therefore question Mr. Minter and he replies, as follows:

You: "How much cash have you on hand?" Mr. Minter (indicating the cash drawer): "About \$480.00." Opening the cash drawer, you find in it \$457.63 in currency and coin, and R. D. Smith's check for \$25.00 payable to Mr. Minter. In taking out the cash to count it, you come across a note signed by T. J. Green in Mr. Minter's favor for \$500.00, and a list of goods on hand totaling \$5647.20. You: "I find here a note for \$500.00 signed by T. J. Green. Do you hold any other notes?" Mr. Minter: "No; but I owe \$1000.00 to the First National Bank on a note. There are no other notes either receivable or payable." You: "Do you owe any interest on the note in favor of the bank or is any interest due you on Mr. Green's note?" Mr. Minter: "Some interest has accrued on each note but the two interest items exactly cancel each other." You: "Is this list of merchandise on hand correct?" Mr. Minter: "Yes, it was taken yesterday." You: "Is there any other property belonging to the business?" Mr. Minter: "The store fixtures are mine, and I value them at \$500.00. There is no other property belonging to the business, and I do not owe a cent except for the accounts shown in the ledger and the note for \$1000.00."

Prepare a financial account, as you always have in previous sets. The only difference is that in this case less information can be secured from the ledger than from a double entry ledger. The net capital shown by the statement should appear in the ledger as the credit balance of the proprietor's account.

**INTRODUCTION TO SINGLE ENTRY**

Progressive business men prefer double entry because they find it desirable to know certain facts about their business affairs which a single entry system will not reveal. This is especially true when their business interests are large or extensive, in which case a double entry set of books is almost imperative.

While pure single entry is little used among the best houses, many retail concerns employ a combination of single and double entry, and for this reason, if for no other, it is well for the student to understand what the single entry method is. The work of this chapter will be of value to the student in teaching him the principles of single entry, not so much because he may be called upon to keep a set of single entry books, but because he is likely to come in contact with accounting in which some single entry features are incorporated in a double entry system, subordinate to the general double entry scheme.

Single entry bookkeeping is a method of keeping unrelated memorandums and records of business transactions such as the proprietor of a business may deem necessary for his protection and information.

The facts of which memorandums are usually kept in single entry are: (1) The receipts and payments of cash. (2) The charges against and credits to persons, on account. Sometimes the inventories of property owned are kept as a matter of record.

Single entry derives its name from the circumstance that each entry is a record of a single fact, either a debit or a credit, rather than a record of two or more facts affecting both sides of the ledger equally, as in double entry.

**Comparison Between Single and Double Entry.**

In Single Entry, accounts are kept only with persons, cash and sometimes property inventories, and since accounts with persons and cash, and inventories, must exhibit either assets or liabilities, and not losses or gains, it is apparent that separate losses and gains cannot be shown by the single entry method. This failure to show the separate losses and gains constitutes the chief disadvantage of single entry as a system, and is the principal reason for its inferiority to double entry.

In double entry, equal debits and credits are recorded for every transaction. These are posted to the ledger. As the debits posted are exactly equal to the credits posted, the equality of the two sides of the ledger is constantly preserved. If the trial balance fails to exhibit this equality, the bookkeeper at once knows (provided no original entry is out of balance) that there has been an error or omission in posting. When the single entry method is used, the bookkeeper has no such systematic, almost automatic, device for the detection of errors of this kind (errors in posting), which occur more frequently, probably, than all others combined.

Double entry is a scientific system of bookkeeping by which the chances of error are reduced to the minimum and under which it is possible to so classify and analyze the business transactions that almost any desired facts in regard to the progress or condition of the business can be ascertained. Single entry is an unscientific bookkeeping expedient by which only the barest facts as to the current assets and liabilities of the business are set forth with no further guarantee of their accuracy than the carefulness of the bookkeeper who made and posted the entries.

**A SINGLE ENTRY SET**

Since the facts which are to be recorded in single entry have to do with persons and cash only, as has been stated, it is only necessary that three books be kept, as follows:

- (a) The Cash Book, in which are kept the receipts and disbursements of cash.
- (b) The Day Book, in which debits and credits to personal accounts are recorded as they occur.
- (c) The Ledger, to which the items in the day book are posted.

Auxiliary books or books of memorandum of almost any kind can be kept if desired; as, the bill book, invoices payable register, etc.

**THE CASH BOOK**

The single entry cash book usually differs in form from the double entry cash book, though not necessarily so. The accompanying illustration shows the first few cash book entries and also shows the method of ruling for balancing the book. Note that the Debit and Credit columns are side by side on the same page. This arrangement affords a wide column for the explanatory matter and presents the debits and credits in the order in which they occurred. Note the placing of the dates, and do not forget the year dates.\*

19—		CASH BOOK	DR.	CR.
Oct.	1	Cash invested as per Day Book entry . . . . .	*** **	
	1	Paid rent for October, 1910, by check . . . . .		***
	6	Paid The American Cereal Co. in full of account . . . . .		***
	6	Paid Students' salary for week ending Oct. 6 . . . . .		*** ***
	6	Received from cash sales as per Cash Reg. . . . .	** **	
	6	<i>Balance</i> . . . . .		*** ***
Oct.	8	Balance . . . . .	*** ***	*** ***

**THE DAY BOOK**

This book corresponds to the double entry journal in that it is the book in which the original entries of debits and credits are made which are later posted to the ledger, and in the fact that the entries are made as the transactions occur and in the order of their occurrence. It is also somewhat similar in form and ruling to the double entry journal. But here the resemblance ends. The single entry day book does not record equal debits and credits as does the double entry journal, but each entry records a single debit or a single credit, as the case may be. The separate items, if any, are written in the left-hand column and the total in the right-hand column. In this set the total only is posted, but the separate items could be posted instead, if preferred. The following form shows a few typical day book entries for the single entry set.

Note that opposite the name of each account debited or credited in the day book is placed the abbreviation *Dr.* or *Cr.* This is the means of indicating which side of the ledger the transaction is to be posted to, and *you must not forget to write it* as you make each entry.

\*These and other forms shown in this chapter are intended as illustrations merely, and are not to be relied upon by the student in writing entries in his books.

Note that the transaction on Oct. 6 appears in both the cash book and the day book. Whenever any money is paid out, an entry is made in the cash book to show the payment of cash; if the payment is on account, another entry is made in the day book to show the debit of the personal account. When money is received on account, an entry crediting the person is made in the day book, and the cash received is recorded in the cash register, the total being periodically entered in the cash book as a receipt, as will be shown later.

## DAY BOOK

October 1, 19—

	F. P. Nissen, Proprietor F. P. Nissen is engaged in the retail grocery business at 105 Oak Park Ave., Oak Park, Ill. His assets at this time are as follows: Cash in bank Cash in cash register Stock of groceries on hand valued at Horse and wagon valued at Furniture and fixtures valued at Accounts receivable as follows. Mrs. Wm. Conant, 110 S. East Ave. Mrs. Chas. P. French, 157 S. East Ave.	Cr. *** *** *** *** *** *** *** 1 Mrs. Wm. Conant, 110 S. East Ave. To groceries as per order slip No. 1	Dr. *** *** *** *** *** *** 1 Mrs. Chas. P. French, 157 S. East Ave., By cash on account	
	H. J. Heinz Co., 1814 S. Clark St., Chicago 3 doz. Med. Baked Beans and Sauce 1 doz. 10-oz. Royal Select Queen olives 2 doz. 8-oz. Octagon Ketchup	Cr. 1.40 *** 1.35	Dr. *** *** *** 6 The American Cereal Co., 9 Jackson Boul., Chicago To cash in full of account	
19—				

## THE LEDGER

The single entry ledger differs from the double entry ledger in form only, though it does not necessarily differ even in that respect, because a center-ruled ledger could be used as well for single entry as for double entry. Following is an illustration of the form used in this set.

## MRS. WM. CONANT

110 S. East Ave.

Dr.

Cr.

Oct.	1	Balance due		**	**
	1	To groceries as per order slip No. 1		***	
	5	To groceries as per order slip No. 7		***	
	6	By cash as per Day Book			***
—	8	To groceries as per order slip No. 15		***	
—	12	To groceries as per order slip No. 22		***	

## Order Slips

Your outfit contains a pad of blank order slips. These ordinarily come in duplicate and are filled out by the salesman, who sends one copy with the goods and one copy to the cashier's desk. Sometimes order slips come in triplicate, the third copy being put to some special use in connection with either the accounting or delivery system.

In order that you may get a comprehensive idea of the procedure in the retail grocery business, you are to perform a part of the duties of the salesman in addition to your work as bookkeeper and cashier. As salesman you are to fill out the order slips. As cashier, you have charge of the cash register. As bookkeeper you make the proper entries in the books for all transactions.

The duties of cashier and bookkeeper are so intimately connected that they are usually performed by the same person; and it is not unusual, especially in the smaller stores, for the bookkeeper and cashier to act as salesman as well, especially at times when there is no other salesman in the store, or when an order comes by telephone.

The pad of order slips which accompanies your outfit consists of single slips. It will be assumed that, as salesman, you have filled them out in duplicate and send both copies

to the cashier, who after stamping on the duplicate the date and number of the sale, the amount and kind of the sale, and the initial of the salesman (all done automatically by the cash register in one operation), has sent it with the goods. The original, which is the slip you fill out, is filed. When you fill out an order, write at the bottom the expression "Charged," "Paid," or "C. O. D.," as the case may be.

Filled orders are either taken away by the customer or sent to the delivery clerk to be delivered, but you will have nothing to do with this part of the work. The duplicate order slip accompanies the goods whether the goods are taken by the customer or sent to the delivery clerk.

The order slip must always contain the name and address of the customer, if it is a charge slip, whether the goods are taken by the customer or delivered. C. O. D. goods are always delivered; therefore the name and address must always be written on a C. O. D. slip. In the case of paid orders, the name and address of the customer must always be shown if the goods are to be delivered.

F. P. NISSEN 105 OAK PARK AVENUE GROCERIES AND MEATS				
Oak Park, Ill.		10/1	19—	
Sold to <u>Mrs. William Conant</u>				
Salesman	A	Address	110 S. East Ave.	
Quan.	ARTICLES	Price	Amount	
1	Leg Spring Lamb 5 lb.	20	1	00
2	cans French Peas	15		30
2	heads Lettuce	12		24
1	bot. Olive Oil			30
1	lb. Butter			38
			2	22
	Charge			
	<b>1</b>			

ORDER SLIP

## Cash Slips

If the customer pays for the goods and takes them with him, an order slip is not made out. A cash slip is filled out. This does not contain the name and address of the customer, but is a mere list of the items sold, with the total, if more than one item is sold.

At the top of the slip are printed the words "Pay the Cashier"—a direction to the customer. The cash slips are numbered consecutively and each is attached to a stub which bears the same number, on which the amount of the sale must be noted at the time the slip itself is made out.

<b>No. 1</b>		<b>\$ .64</b>	
Perforated line			
<b>F. P. NISSEN, Groceries and Meats</b>			
<b>Pay the Cashier</b>			
<b>Salesman A</b>		<b>OAK PARK, ILL. 10/1 19</b>	
Quan.	ARTICLE	Price	Amount
2	<i>Bread</i>	05	10
1	<i>lb. Bacon</i>		28
1	<i>doz. Eggs</i>		26
			64
<b>1</b>			
CASH SLIP			

single entry set, it is assumed that the student as cashier uses a cash register, now considered to be an almost indispensable adjunct of an extensive retail business. The cash register is an automatically-locking device for holding money, which can be unlocked and opened only by pressing buttons or keys in front. There are five rows of these buttons consisting of nine buttons each. When the cashier presses the proper buttons, the money-drawer opens and at the same time the interior mechanism of the cash register automatically records upon a narrow roll of paper, called the "detail strip," the amount of the sale or payment together with the initial of the salesman and the kind of sale or payment. *Cash Sales, Cash Received on Account, C. O. D. Sales, C. O. D. Cash Returns, C. O. D. Goods Returned, Goods Returned on Account, Charge Sales and Cash Sales*, are all recorded on the detail strip in the order of their occurrence, and each kind indicated by a special abbreviation or sign. The machine constantly shows the number and the totals of each of the different kinds of transactions recorded. The cash register has one button marked "No sale" which can be

#### Customers' Receipts

When a customer makes a payment on account, a customers' receipt is issued for the amount recorded in the cash register as received. These are ordinarily issued in duplicate; one copy is given to the customer after being placed in the machine and stamped; the other copy is retained and filed.

The pad of customers' receipts which accompanies your outfit consists of single slips. These are to be filed by the cashier, it being assumed in each case that a duplicate has been made, stamped, and given to the customer.

#### The Cash Register

In connection with the retail grocery business which is illustrated in the following



CASH REGISTER

pressed when the cashier wishes to open the register without recording a receipt or sale, as when it might be desired to accommodate some one by changing a bill.

Whenever any sale or payment is recorded, the cashier inserts in the machine the duplicate of the order slip or other voucher used, and the machine automatically stamps upon it the record of the transaction. Some machines issue little cardboard tickets properly stamped, instead of printing the record directly upon the voucher. These stamped records, whether they be printed upon the vouchers or upon separate tickets, constitute a check upon the accuracy and honesty of the cashier and show the customer that the proper records of transactions are being made.

### **Cash Register Sheets**

As it is not practicable for each student to have a cash register, there are provided for each outfit several sheets of paper (Cash Register Sheets) ruled with columns to represent the different kinds of transactions for which the cash register shows separate totals. Instead of actually pushing the buttons of a cash register and thus making the records on the detail strip, you will make pen and ink records in the columns of the specially ruled sheets provided.

## CASH REGISTER SHEET

	Cash Sales	Cash Rec'd on Acct.	C. O. D. Sales	C. O. D. Cash Returns	C. O. D. Goods Return'd	Goods Return'd on Acct.	Charge Sales	Cash Paid Out
Change in register Oct. 1, 19	** **	** **	* *	* *			* **	* **
							* **	** **
							* **	
							* **	
							* **	
							* **	
							* **	
							* **	
	** **	** **	* *	* *	0.00	0.00	** **	** **

## File

Accompanying your outfit you will find a file containing three sections. This file is for your convenience in disposing of papers that you make out. In the first section C. O. D. sales slips are placed temporarily while the orders are being delivered. In the second section are placed the cash slips, the paid order slips (which are in effect the same as cash slips), the C. O. D. paid slips, and the customers' receipts. In the third section are placed the charge sale slips and also the goods returned slips. It is assumed that whenever any slip of any kind is issued one copy goes in our files and one copy goes to the customer. Note that the papers in the *Cash Sales and Cash Receipts* section of the file will exactly check with the total cash receipts as shown by the Cash Register Sheet.

**YOUR DUTIES SUMMARIZED**

- (1) Fill out the order slips, cash slips, and customer's receipts as these are required.
- (2) Make pen and ink records on the Cash Register Sheets of amounts which would ordinarily be recorded in the cash register.
- (3) Make the bookkeeping entries.

Following is a list of the different kinds of transactions and the procedure in each case, except as to the filing, directions for which will be given in connection with specific transactions.

- (a) Cash sale, taken. Fill out a cash slip and record the amount received on the Cash Register Sheet.
- (b) Cash Sale, delivered. Fill out an order slip and record the amount received on the Cash Register Sheet.
- (c) Cash received on account. Fill out a customers' receipt, make a record on the Cash Register Sheet, and make an entry in the day book.
- (d) C. O. D. Sale. Fill out an order slip and make a record on the Cash Register Sheet.
- (e) C. O. D. Cash Returns. Make a record on the Cash Register Sheet.
- (f) C. O. D. Goods Returned. Make a record on the Cash Register Sheet.
- (g) Charge Sale. Fill out an order slip, make a record of the transaction on the Cash Register Sheet, and make an entry in the day book.
- (h) Goods Returned on Account. Make an entry on the Cash Register Sheet, and give the customer credit in the day book.
- (i) Cash Paid Out. Make a record on the Cash Register Sheet and an entry in the cash book. If the payment be on account, an entry in the day book is also necessary.
- (j) Purchases on account are entered in the day book as they occur.

At the end of the day, or whenever it seems desirable, the *Cash Sales* column, the *Cash Received on Account* column, and the *C. O. D. Cash Returns* column of the Cash Register Sheet are footed and added together and the grand total is entered in the cash book as a receipt, as shall be explained in greater detail hereafter.

In entering sales on account in the day book it is not necessary to itemize them, as we have itemized records on the order slips which are filed; nor is it necessary to itemize goods purchased, as these items would show on the invoices which would also be filed. Entries of purchases should show the date, the name and address of the person bought from, the terms of purchase and the amount.

In working the following transactions, remember that there are only two things we must keep account of in Single Entry: (1) Receipts and disbursements of cash, (2) Debits and credits affecting personal accounts. Also remember that no entry records anything but a single debit or a single credit.

Before beginning the work of the set, see to it that the charge slips are numbered consecutively from 1 to 30, that the cash slips and their corresponding stubs are numbered from 1 to 20, and that the customers' receipts are numbered from 1 to 10.

## TRANSACTIONS

October 1, 19—. F. P. Nissen is engaged in the retail grocery business at 195 Oak Park Ave., Oak Park, Ill. His assets at this time are as follows:

Cash in bank*	\$500.00
Cash in cash register	67.60
Stock of groceries on hand valued at	5432.69
Horse and wagon valued at	275.00
Furniture and fixtures valued at	450.00
Customers owe him as follows:	
Mrs. Wm. Conant, 110 S. East Ave.	\$13.56
Mrs. Chas. P. French, 157 S. East Ave.	23.47
Mrs. Edwin C. Hedrick, Jr., 124 N. Kenilworth Ave.	5.89
Mrs. Louis N. Mellick, 364 S. Euclid Ave.	27.56
Mrs. Ward. N. Seabury, 175 Forest Ave.	16.27
Mrs. N. N. Richards, 154 Circle Ave., Forest Park	4.23
Mrs. Wm. Beye, 264 Wisconsin Ave.	12.50
Mrs. Phillip Furbeck, 1110 South Boulevard	6.78
His liabilities are as follows:	
National Biscuit Co., 110 N. Morgan St., Chicago	\$27.60
The American Cereal Co., 9 Jackson Boul., Chicago	8.95
H. J. Heinz Company, 1814 S. Clark St., Chicago	23.42
Armour & Co., 239 S. Water St., Chicago	17.75
Washburn-Crosby Co., 145 Van Buren St., Chicago	124.68

## Steps necessary to open the single entry books

1. Enter in the cash book the amount of cash on hand.
2. Open accounts in the ledger with the proprietor, all customers, and all creditors, in the order named, allowing one-third of a page for each account. Enter in the customers' and creditors' accounts the balances shown by the opening statement.
3. Make a day book entry crediting the proprietor with the total of the assets of the business, listing the items at the bottom of the entry. Make another entry debiting the proprietor with the total of the liabilities of the business, listing the items below. Post both of these entries to the proprietor's account on page 1 of the ledger.

After opening the books as above, enter the amount of change on hand (\$67.60) on one of the Cash Register Sheets, at the top of the left-hand column, with the explanation "Change on hand Oct. 1, 19—." Give the sheet the number 1. You are now ready for business.

## OCTOBER 1, 19—

**Transaction No. 1.** Paid rent for October by check, \$100.00.

Enter this in the cash book only. As the payment was by check, the transaction is not recorded on the Cash Register Sheet.

**Transaction No. 2.** Sold for cash 2 loaves bread, at 5¢; 1 lb. bacon, 28¢; 1 doz. eggs, 26¢.

Make out a cash slip. Record the amount received on the Cash Register Sheet, in the left-hand column. File the cash slip in the section of the file marked *Cash Sales and Cash Receipts*.

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\* The student is not required to keep a bank pass book, but whenever necessary he will be told what the bank balance is.

**Transaction No. 3.** Sold to Mrs. Wm. Conant, 110 S. East Ave., on account, 1 leg of spring lamb, 5 lbs. at 20¢; 2 cans French peas, at 15¢; 2 heads lettuce, at 12¢; 1 bottle olive oil, 30¢; 1 lb. butter, 38¢.

Make out an order slip, writing the word *Charge* or the abbreviation *Chg.* at the bottom of the slip. Then record the amount of the sale in the *Charge Sales* column of the Cash Register Sheet, and make the day book entry charging Mrs. Wm. Conant. When this has been done file the order slip in the section of the file marked *Charge Sales*.

**Transaction No. 4.** Sold for cash 1 can lobster, 25¢.

Proceed exactly as described in the note of explanation under Transaction No. 2.

**Transaction No. 5.** Sold to Mrs. Chas. P. French, 157 S. East Ave., on account, 2 boxes soda crackers, at 10¢; 1 can French peas, 15¢; 1 box Coleman's mustard, 15¢; 2 heads cabbage, at 10¢; 1 sack salt, 10¢; 1 can salmon, 15¢; 3 loaves bread, at 5¢, 1 lb. imported Swiss cheese, 40¢.

Proceed exactly as described in the note of explanation under Transaction No. 3

#### OCTOBER 2

**Transaction No. 6.** Sold to Jas. H. Greenman, 231 Woodward Terrace, for cash, to be delivered, 2½ lbs. halibut steak, at 18¢; ½ doz. Florida oranges, at 50¢; 2 cans Telephone peas, at 12½¢; 2 cans Cupid fancy tomatoes, at 12½¢; 1 8-lb. box prunes, 85¢.

Make out an order slip, writing the word *Paid* at the bottom. Record the amount of the sale in the left-hand column of the Cash Register Sheet. Place the order slip in the section of the file marked *Cash Sales and Cash Receipts*.

**Transaction No. 7.** Sold for cash 1 jar Southwell's imported marmalade, 23¢; 1 lb. creamery butter, 36¢; 2 boxes soda crackers, at 10¢.

Follow the instructions given in the note under Transaction No. 2, and in future always follow this procedure when a sale for cash is made which is not to be delivered.

**Transaction No. 8.** Sold on account to Mrs. Edwin C. Hedrick, Jr., 124 N. Kenilworth Ave., 3 lbs. Star ham, sliced, at 28¢; 1 box Coleman's mustard, 15¢; 3 loaves bread, at 5¢; 1 lb. creamery butter, 36¢; ½ lb. imported Swiss cheese, at 40¢; 2 pkgs. Uneeda biscuit, at 5¢; 2 cans Heinz baked beans and tomato sauce, at 15¢.

Follow the instructions given under Transaction No. 3, and in future always follow this procedure when a sale on account is made.

**Transaction No. 9.** Sold to Mrs. Paul Peters, 740 Chicago Ave., for cash, to be delivered, 2 pkgs. Saratoga flakes, at 15¢; 2 pkgs. Quaker oats, at 10¢; 3 cans Monarch canned corn, at 15¢; 3 cans Monarch canned peas, at 15¢; 1 broom, 40¢; 1 bottle bluing, 10¢; 3 bars Naphtha soap, at 5¢.

Follow the instructions given in the note under Transaction No. 6, and in future always follow this procedure when a sale is made for cash to be delivered.

**Transaction No. 10.** Received of Mrs. Chas. P. French \$10.00 on account.

Fill out a customer's receipt. Enter the amount received on the Cash Register Sheet, in the column headed *Cash Received on Account*. Make a day book entry crediting the customer. Place the customer's receipt in the section of the file marked *Cash Sales and Cash Receipts*.

These slips are usually kept on a spindle until the cashier can find time to enter them, and the same thing is done with charge orders, receipts for or memorandums of cash paid out, etc., but the student will make all day book entries and cash credit entries as the transactions occur.

OCTOBER 3

**Transaction No. 11.** Sold to Mrs. C. V. Clark, 789 Lake St., C. O. D., the following groceries: 25 lbs. W. C. Superlative flour, at 5¢; 2 pecks apples, at 60¢; 3 lbs. Star bacon, sliced, at 28¢.

Fill out an order slip, writing C. O. D. at the bottom of it. Enter the amount of the sale on the Cash Register Sheet, in the column headed *C. O. D. Sales*, and place the order slip temporarily in the section of the file marked *C. O. D. Sales*.

**Transaction No. 12.** Sold for cash 2 pecks Irish potatoes, at 20¢; two cans Monarch canned corn, at 15¢; two cans Monarch canned peas, at 15¢.

**Transaction No. 13.** The delivery boy returns with \$3.29, as returns on the C. O. D. sale to Mrs. C. V. Clark.

If this is the correct amount, enter it on the Cash Register Sheet in the column headed *C. O. D. Cash Returns*. Take the C. O. D. slip from the section of the file marked *C. O. D. Sales*, write on it the word *Paid*, and place it in the section marked *Cash Sales and Cash Receipts*.

OCTOBER 4

**Transaction No. 14.** Bought of H. J. Heinz Company, 1814 S. Clark St., Chicago, Ill., on 30 days' time, the following bill of groceries:

3 doz. Med. Baked Beans and Sauce, at	\$1.40	\$4.20
1 doz. 10-oz. Royal Select Queen Olives, for		2.75
2 doz. 8-oz. Octagon Ketchup, at	1.35	2.70
		\$9.65

Make an entry in the day book, crediting H. J. Heinz Company. This entry should contain the explanation "Terms, 30 days." No further instruction will be given as to the procedure in handling an entry of this kind.

**Transaction No. 15.** Sold for cash 2 cans Heinz medium baked beans and tomato sauce, at 15¢; 1 bottle Royal select queen olives, 25¢; 2 cans Monarch canned corn, at 15¢.

**Transaction No. 16.** Sold to Mrs. Wm. Conant, 110 S. East Ave., on account, 1 doz. eggs, 36¢; 1 leg of spring lamb, 4½ lbs. at 20¢; 2 cans French peas, at 15¢; 1 peck Irish potatoes, 20¢.

OCTOBER 6

**Transaction No. 17.** Sold to W. J. Frazer, 767 W. Madison St., for cash, to be delivered, 1 can lobster, 25¢; 1 bottle Queen Olives, 25¢; 2 loaves Quaker bread, at 5¢.

**Transaction No. 18.** Received \$5.00 from Mrs. Edwin C. Hedrick, Jr., on account.

Follow the instructions in the note under Transaction No. 10.

**Transaction No. 19.** Paid The American Cereal Co., 9 Jackson Boul., Chicago, \$8.95, the amount of their account against us, from the Cash Register.

Record this in the *Cash Paid Out* column of the Cash Register Sheet. Make a cash book entry at this time, and make an entry in the day book debiting The American Cereal Co.

**Transaction No. 20.** Sold for cash 6 cans Heinz baked beans and tomato sauce, at 15¢; 2 bottles Heinz tomato catsup, at 15¢; 5½ lbs. Star ham, sliced, at 28¢; 6 lbs. Star ham, butts, at 12¢; 6 lbs. Star bacon, sliced, at 28¢.

**Transaction No. 21.** Sold to Mrs. Ward N. Seabury, 175 Forest Ave., on account, 3½ lbs. shoulder lamb chops, at 14¢; 3 cans French peas, at 15¢; 3 heads lettuce, at 12¢; 50 lbs. W. C. Superlative flour, at 5¢.

**Transaction No. 22.** Sold to Mrs. Louis N. Mellick, 364 Euclid Ave., on account, one spring chicken, 4½ lbs. at 20¢; 2 lbs. creamery butter, at 36¢; 2 loaves bread, at 5¢; 3 cans salmon, at 15¢; 1 broom, 40¢; 1 bottle bluing, 10¢; 3 bars Naphtha soap, at 5¢.

**Transaction No. 23.** Received of Mrs. Wm. Conant, 110 S. East Ave., cash in full of account, \$17.54.

**Transaction No. 24.** Sold to Jas. W. Wilson, 317 Clinton Ave., for cash, to be delivered, 4 grape fruit, at 20¢; 3½ lbs. Malaga grapes, at 20¢; 3 pkgs. Cottage cheese, at 15¢; 6 cans assorted soups, at 30¢; 1 lb. Young Hyson tea, 80¢; 2 qts. Baltimore oysters, at 35¢; 6 pkgs. Saratoga flakes, at 15¢.

**Transaction No. 25.** Sold for cash 3 lbs. Finnan haddie, at 15¢; 2 lbs. creamery butter, at 36¢; 3 loaves rye bread at 10¢; 1 sack salt, 10¢; 3 heads cabbage at 10¢; 1 box Coleman's mustard, 15¢.

**Transaction No. 26.** Received from Mrs. Edwin C. Hedrick, Jr., 124 N. Kenilworth Ave., cash to balance her account, \$2.99.

**Transaction No. 27.** Paid the salary of the bookkeeper and cashier (yourself) for the week, \$12.50, from the Cash Register.

Record the payment on the Cash Register Sheet, in the column headed *Cash Paid Out*. Make the proper entry and explanation in the cash book.

Post to the ledger all day book entries that have not yet been posted; rule and foot all accounts that are paid in full. Close the Cash Register Sheet as illustrated and described below.

ILLUSTRATION OF CLOSING OF CASH REGISTER SHEET

Footings	**.**	**.**	*.**	*.**	0.00	0.00	**.**	**.**
Deduct change	**.**	=====	=====	=====	*.**	=====	0.00	=====
Spot cash sales	**.**				**.**		**.**	Net Chg. Sales
C. O. D. cash returns	*.**				=====		**.**	Cash Sales
Cash Rec'd. on Acct.	**.**				=====		*.**	C. O. D. Sales
Total cash Rec'd.	**.**	Entered	in cash	book, page	—		**.**	Total Sales
Cash Pd. out	**.**						=====	
Excess of receipts	**.**						=====	
Change on hand	**.**						=====	
Cash in register	***.**						=====	
Deposit Oct. 6, 19—	**.**						=====	
Change in register Oct. 8, 19—	**.**						=====	

Rule a single line across the eight columns of the Cash Register Sheet, underneath the last item in the longest column, and add all columns. Then proceed as follows: (1) Deduct the amount of the change on hand Oct. 1 from the total of the first column. The result will be the total of cash sales. (2) Reconcile the three C. O. D. columns (i.e., determine whether the *C. O. D. Cash Returns* and the *C. O. D. Goods Returned* added equal the *C. O. D. Sales*). Rule these columns as shown in the model form and write the amount of the *C. O. D. Cash Returns* in the left-hand column of the Cash Register Sheet, beneath the total of spot cash sales. (3) Write in the left-hand column the amount of the cash received on account and rule a double line across the *Cash Received on Account* column. (4) Add the three totals now shown in the left-hand column. The result is the total of cash received. (5) Write beneath this the total of the cash paid out, and deduct it. The result is the excess of receipts over disbursements for the week. (6) Add the amount

of the change on hand, \$67.60, which will give you the total of cash in the cash register. (7) Deposit \$50.00, keeping \$\*\*.\*\* for change. Deduct the amount of the deposit, rule, and carry forward the amount of change on hand, all as shown in the model. (8) The only columns not yet ruled up are the *Charge Sales* and *Goods Returned on Account* columns. Deduct the total of the latter column from the total of the former. The result is the net charge sales. Add the total of cash sales and the total of C. O. D. paid sales to the net charge sales, to show the total of all kinds of sales for the week. (9) The total of cash received during the week must be entered in the cash book and a notation to the effect that this has been done should be made on the Cash Register Sheet, as shown. The cash payments, it will be observed, have already been entered in the cash book, these entries having been made separately as the transactions occurred.

In business, this closing of the cash register is usually done daily. The report on business done, as shown on your Cash Register Sheet between the two lines extending entirely across the form, is usually prepared on a special daily report blank, and summaries of these daily reports are prepared weekly or monthly.

When your Cash Register Sheet has been approved by your teacher, write the amount of change on hand at the top of another Cash Register Sheet, giving it the number 2, and enter the transactions for the week beginning Oct. 8.

#### OCTOBER 8

**Transaction No. 28.** Sold for cash 5 packages Saratoga Flakes, at 15¢; 3 packages Quaker oats, at 10¢; 4 cans Heinz baked beans and tomato sauce, at 15¢; 2 bottles Queen olives, at 25¢; 5 loaves bread, at 5¢.

**Transaction No. 29.** Bought for cash, from the Heissler & Junge Co., 301 W 39th St., Chicago, 100 loaves Quaker bread, at 4¢, paying the money from the cash register.

**Transaction No. 30.** Sold on account to Mrs. Wm. Beye, 264 Wisconsin Ave., 2 bottles Heinz tomato catsup, at 15¢; 1 whole Star ham, 15 lbs. at 26¢; 3 lbs. Star bacon, sliced, at 28¢; 4 cans Monarch canned corn, at 15¢; 3 loaves bread, at 5¢; 3 bars Ivory soap, at 5¢.

**Transaction No. 31.** Paid \$3.00 from the cash register for one year's subscription to the Grocers' Guide and Holly Journal, the subscription to begin with the November issue.

**Transaction No. 32.** Sold on account to Mrs. Ward N. Seabury, 175 Forest Ave., 3 cans Monarch canned peas, at 15¢; 2 pkgs. Northern Spy apples, at 60¢; 4 pkgs. Irish potatoes, at 20¢ a peck; 25 lbs. W. C. Superlative flour, at 5¢; 1 bottle bluing, 10¢; 2 lbs. Oswego starch, at 5¢; 2 doz. clothespins, 5¢.

**Transaction No. 33.** Bought on account of Reid, Murdock & Co., cor. Lake and Market Sts., Chicago, the following invoice (the explanations in parenthesis do not appear on the face of the bill):

	Doz.	Price	30 Days	60 Days	Total
5 cs. (cases) Monarch #2 corn (in tins, 2 dz. ea.)	10	\$1.20		\$12.00	
2 " " #2 E. J. (early June) peas (in tins, 2 dz. ea.)	4	1.75		7.00	
2 " " #1 Tall salmon (in tins, 4 dz. ea.)	8	2.10	\$16.80		
5 " " #3 Tomatoes (in tins, 2 dz. ea.)	10	1.35		13.50	
			\$16.80	\$32.50	\$49.30

**Transaction No. 34.** Bought of The American Cereal Co., Chicago, Ill., on account 30 days,

4 cases Quaker oats, at 3.00	\$12.00
1 bbl. Oatmeal	5.50
	<u>\$17.50</u>

**Transaction No. 35.** Sold for cash 1 leg of spring lamb, 4 $\frac{1}{2}$  lbs. at 20¢; 2 cans tall salmon, at 27 $\frac{1}{2}$ ¢; 3 cans E J Peas, at 20¢; 2 heads lettuce, at 12¢; 3 loaves bread, at 5¢; 2 boxes B & C matches, at 5¢.

**Transaction No. 36.** Sold to Mrs. Louis N. Mellick, 364 Euclid Ave., on account, 2 cans lobster, at 25¢; 3 boxes soda crackers, at 10¢; 1 bottle olive oil, 30¢; 2 lbs. creamery butter, at 36¢; 1 loaf bread, 5¢; 1 sack salt, 10¢.

**Transaction No. 37.** Received of Mrs. Chas. P. French, 157 S. East Ave., cash in full of account.

Find the balance due as shown by the ledger. Note the date of the last purchase, and look through the day book, from that date on, to find whether there are any debits and credits to be posted to her account.

**Transaction No. 38.** Sold on account to Mrs. Wm. Conant, 110 S. East Ave., 2 lbs. creamery butter, at 36¢; 2 doz. eggs, at 36¢; 1 spring chicken, 5 $\frac{1}{2}$  lbs. at 20¢; 6 grape fruit, at 20¢; 2 $\frac{1}{2}$  lbs. Malaga grapes, at 20¢; 3 lbs. cottage cheese, at 15¢; 2 bottles Queen olives, at 25¢; 3 loaves bread, at 5¢.

#### OCTOBER 10

**Transaction No. 39.** Sold for cash, 5 $\frac{1}{2}$  lbs. shoulder of lamb, at 12¢; 2 lbs. creamery butter, at 36¢; 3 cans E. J. peas, at 20¢; 1 sack salt, 10¢; 25 lbs. W. C. Superlative flour, at 5¢; 1 lb. India Ceylon tea, 60¢.

**Transaction No. 40.** Sold C. O. D. to Mrs. C. V. Clark, 789 Lake St., 4 lbs. smelts, at 14¢; 1 bottle Queen olives, 25¢; 1 lb. butter, 30¢; 3 loaves rye bread, at 5¢.

**Transaction No. 41.** Mrs. Louis N. Mellick, 364 Euclid Ave., returned 2 cans of lobster purchased Oct. 8, claiming both cans were spoiled.

Enter this amount in the *Goods Returned on Account* column of the Cash Register Sheet. Give Mrs. Mellick credit in the day book. Make out a credit memorandum as follows: "Oct. 10, 1910. Credit Memorandum. Mrs. Louis N. Mellick, 364 Euclid Ave. We credit your account 50¢ for 2 cans lobster returned. F. P. Nissen by \_\_\_\_\_. Assuming that you have given Mrs. Mellick one copy of this, place the credit memo in the file with the *Charge Sales*.

Note: Many retail grocers keep the customers' charge tickets filed alphabetically under the customers' names. This makes reference easy in case of dispute. Some firms keep no ledger, but rely entirely upon the slips. This is not a very reliable plan, however, unless the balances are carried forward from one slip to the next, as in the system known as the McCaskey continuous account system. When this system is followed any payment made is deducted from the balance shown by the last order slip, so that the last slip made out always shows the balance due. The slips are filed alphabetically under the customers' names.

One system that is sometimes used by grocers who have a comparatively small number of customers is as follows: One charge order book with numbered pages is kept for each customer who has an account. When a charge order is to be made out, the clerk secures the customer's individual book and writes the order in it direct, or else he hands the cashier a memorandum of the filled order and the cashier writes in the customer's book. One copy of the charge slip goes with the goods, while the other copy stays in the book. The balance is carried forward from slip to slip, as in the system described in the last paragraph.

**Transaction No. 42.** Sold on account to Mrs. Chas. P. French, 157 S. East Ave., 1 doz. eggs, 30¢; 2 lbs. Clover Leaf creamery butter, at 36¢; 1 $\frac{1}{2}$  lbs. Wisconsin cream cheese, at 26¢; 2 cans Queen Maud sardines, at 25¢; 1 doz. oranges, 25¢; 8 qts. new Bermuda potatoes, at 9¢.

**Transaction No. 43.** Purchased on 30 days' credit from Armour & Co., 239 S. Water St., Chicago,

12 Star Hams, 180 lbs. at 15¢	\$27.00
16 pca. Star Bacon, 120 lbs. at 22¢	26.40
	<hr/>
	\$53.40

**Transaction No. 44.** Sold to Mrs. Phillip Furbeck, 1110 S. Boulevard, C. O. D., one Star ham, 15 lbs. at 25¢.

**Transaction No. 45.** Sold for cash 3 lbs. chopped beef, at 16¢; 1 doz. eggs, 30¢; 2 lbs. creamery butter, at 36¢; 25 lbs. W. C. Superlative flour, at 5¢.

**Transaction No. 46.** Sold on account to Mrs. N. N. Richards, 154 Circle Ave., Forest Park, 6½ lbs. Star ham butts, at 8¢; 1 can Monarch canned corn, 15¢; 3 loaves bread, at 5¢; ½ lb. butter, at 30¢; 2 lbs. sausage meat, at 20¢; 3 bars Naphtha soap, at 5¢.

**Transaction No. 47.** Mrs. N. N. Richards, 154 Circle Ave., Forest Park, paid \$1.00 on account.

**Transaction No. 48.** Sold for cash 3 lbs. smoked halibut, at 25¢; 2 lbs. imported Swiss cheese, at 40¢; 1 lb. creamery butter, 36¢; 3 loaves bread, at 5¢.

**Transaction No. 49.** The delivery boy returned with the correct amount of cash in payment of the C. O. D. order sold to Mrs. C. V. Clark, 789 Lake St.

(See the note under Transaction No. 13.)

**Transaction No. 50.** The delivery boy reported that no one was at home when he called at the residence of Mrs. Phillip Furbeck to deliver the C. O. D. order. He therefore brought the goods back.

Enter the amount of the order on the Cash Register Sheet in the column headed *C. O. D. Goods Returned*. In business the delivery boy would bring back the duplicate order slip with the goods. This would be marked "Goods Returned" and filed. You may make a memorandum of the goods returned (virtually a copy of the order slip) mark it "Goods Returned," and place it in the section of the file marked *C. O. D. Goods Returned*.

#### OCTOBER 12

**Transaction No. 51.** Sold to J. N. Ward, 679 Chicago Ave., for cash, to be delivered, 3 grape fruit, at 20¢; 1 doz. oranges, 40¢; 1 doz. eggs, 30¢; 2 lbs. creamery butter, at 36¢; 2½ lbs. Star bacon, sliced, at 28¢; 3 pkgs. Uneeda biscuit, at 5¢; 2 loaves bread, at 5¢.

**Transaction No. 52.** Sold to Mrs. C. V. Clark, 789 Lake St., C. O. D., 2 cans Pride of Chicago tall salmon, at 18¢; 3 loaves bread, at 5¢; 1 8-lb. box prunes, 85¢; 1 lb. India Ceylon tea, 60¢.

**Transaction No. 53.** Sold for cash 2 pkgs. Northern Spy apples, at 60¢; 3 pkgs. Irish potatoes, at 20¢; 25 lbs. W. C. Superlative flour, at 5¢.

**Transaction No. 54.** Sold to Mrs. Wm. Conant, 110 S. East Ave., on account, 1 leg of spring lamb, 4½ lbs. at 20¢; 4 lbs. Star bacon, sliced, at 28¢; 3 heads lettuce, at 12¢; 3 cans E. J. peas, at 20¢.

#### OCTOBER 18

**Transaction No. 55.** Sold for cash 1 lb. India Ceylon tea, 60¢; 10 lbs. sugar, at 5¢; 3 pkgs Nabisco, at 10¢; 3 pkgs. Uneeda biscuit, at 5¢.

**Transaction No. 56.** Sold to Mrs. Chas. P. French, 157 S. East Ave., to be charged, 3 grape fruit, at 20¢; 20 lbs. sugar, at 5¢; 2½ lbs. Malaga grapes, at 20¢; 4 pkgs. Nabisco, at 10¢.

**Transaction No. 57.** Mrs. Ward N. Seabury, 175 Forest Ave., paid her account in full.

Read the note under Transaction No. 37 for directions for determining the amount of the balance due.

**Transaction No. 58.** Sold to Mrs. Edwin C. Hedrick, Jr., 124 N. Kenilworth, on account, to be delivered,  $3\frac{1}{2}$  lbs. smoked halibut, at 16¢; 1 whole Star ham, 15 lbs. at  $27\frac{1}{2}$ ¢; 1 bottle Heinz tomato catsup, 15¢; 1 bottle Queen olives, 25¢; 10 lbs. granulated sugar, at 5¢; 1 lb. butter, 30¢; 3 loaves bread, at 5¢.

**Transaction No. 59.** Bought of Reid, Murdock & Co., on thirty days' credit:

3 half-chests Young Hyson tea, 194¢ at 35¢	\$67.90
2 cases Monarch coffee, 2¢ cans, 96 lbs. at 27¢	25.92
2 cases " 72 E. J. peas, 4 doz. at \$1.75	7.00
3 cases " 10 peaches, 6 doz. cans at \$2.50	15.00      \$115.82

**Transaction No. 60.** Sold for cash  $3\frac{1}{2}$  lbs. porterhouse steak, at 22¢; 2 lbs. creamery butter, at 36¢; 20 lbs. sugar, at 5¢; 3 loaves bread, at 5¢.

**Transaction No. 61.** Took from the cash register enough money to pay the National Biscuit Company's account in full.

This payment is recorded on the Cash Register Sheet and entries are made in the cash book and in the day book, as explained in connection with previous similar transactions.

**Transaction No. 62.** Sold on account to Mrs. Ward N. Seabury, 175 Forest Ave.,  $4\frac{1}{2}$  lbs. rib lamb chops, at 22¢; 1 bottle mint sauce, 25¢; 2 cans E. J. peas, at 20¢; 3 loaves bread, at 5¢; 10 lbs. granulated sugar, at 5¢; 25 lbs. W. C. Superlative flour, at 5¢.

**Transaction No. 63.** Bought of H. J. Heinz Company, on account:

4 doz. cans apple butter, at \$1.50	\$6.00
3 " " peach " at 1.50	4.50
6 " small crocks strawberry preserves, at \$1.35	8.10      \$18.60

**Transaction No. 64.** Sold for cash 3 qts. Baltimore oysters, at 35¢; 4 lbs. oyster crackers, at 9¢; 2 bottles Heinz tomato catsup, at 15¢; 10 lbs. granulated sugar, at 5¢; 25 lbs. W. C. Superlative flour, at 5¢.

**Transaction No. 65.** Sold on account to Mrs. Phillip Furbeck, 1110 S. Boulevard, 1 doz. eggs, 30¢; 2 lbs. creamery butter, at 36¢;  $1\frac{1}{2}$  lbs. imported Swiss cheese, at 40¢; 2 loaves rye bread, at 5¢;  $3\frac{1}{2}$  lbs. Star bacon, sliced, at 28¢.

**Transaction No. 66.** Mrs. Ward N. Seabury, 175 Forest Ave., returned 1 bottle mint sauce purchased today.

See Transaction No. 41 for instructions.

**Transaction No. 67** Paid the scrub-woman \$1.50 for her work today.

**Transaction No. 68.** Paid the bookkeeper's salary, \$12.50.

Post the entries in the day book, rule up any ledger accounts that balance, foot and close the Cash Register Sheet, and enter on the cash book the amount of cash received, as you did on Oct. 6. Deposit \$50.00. Close the cash book.

#### Single Entry Statement

As has been previously explained, it is impossible to show the separate losses and gains in single entry. A loss and gain statement can not be made out. A financial statement can be made. The single entry statement sets forth the assets and liabilities of the business. The assets are listed and added. Beneath these the liabilities are listed and added. The difference between the total assets and the total liabilities is the net capital or present worth of the business. If the net capital at some previous time be known, the gain or loss of the business since that time can be determined by comparing the net capital today with what it was at that time.

Mr. Nissen asks you to prepare a single entry statement as of October 15. He tells you that the cash in the bank is \$500.00. You know how much money there is in the cash register. Mr. Nissen values his stock of groceries on hand at \$5817.36, his horse and wagon at \$270.00, and the furniture and fixtures in the store at \$450.00. The balances of all accounts receivable and payable can be determined from the ledger. Prepare a statement in the following form:

F. P. NISSEN'S SINGLE ENTRY STATEMENT, OCTOBER 15, 19—

<i>Assets</i>	
Cash in bank	\$500.00
Cash in cash register	**.**
Stock of groceries on hand valued at	5817.36
Horse and wagon valued at	270.00
Furniture and fixtures valued at	450.00
Mrs. Wm. Conant, 110 S. East Ave.	**.**
Mrs. Chas. P. French, 157 S. East Ave.	**.**
 Total Assets	 *****.**
<i>Liabilities</i>	
National Biscuit Co., 110 N Morgan St., Chicago	\$**.**
The American Cereal Co., 9 Jackson Blvd., Chicago	**.**
 Total Liabilities	 ***.**
Net capital or present worth	*****.**
Assets October 1	*****.**
Liabilities October 1	***.**
 Net Capital October 1	 ****.**
Net gain	***.**

In order that the proprietor's account in the ledger shall show what he is worth at all times it will be necessary to credit him with the amount of the net gain as shown by the foregoing statement. Therefore you will make a day book entry crediting the proprietor for the amount of his net gain. Post this immediately to the account of the proprietor in the ledger and close the account with a balance as of October 15.

**Changing from Single Entry to Double Entry**

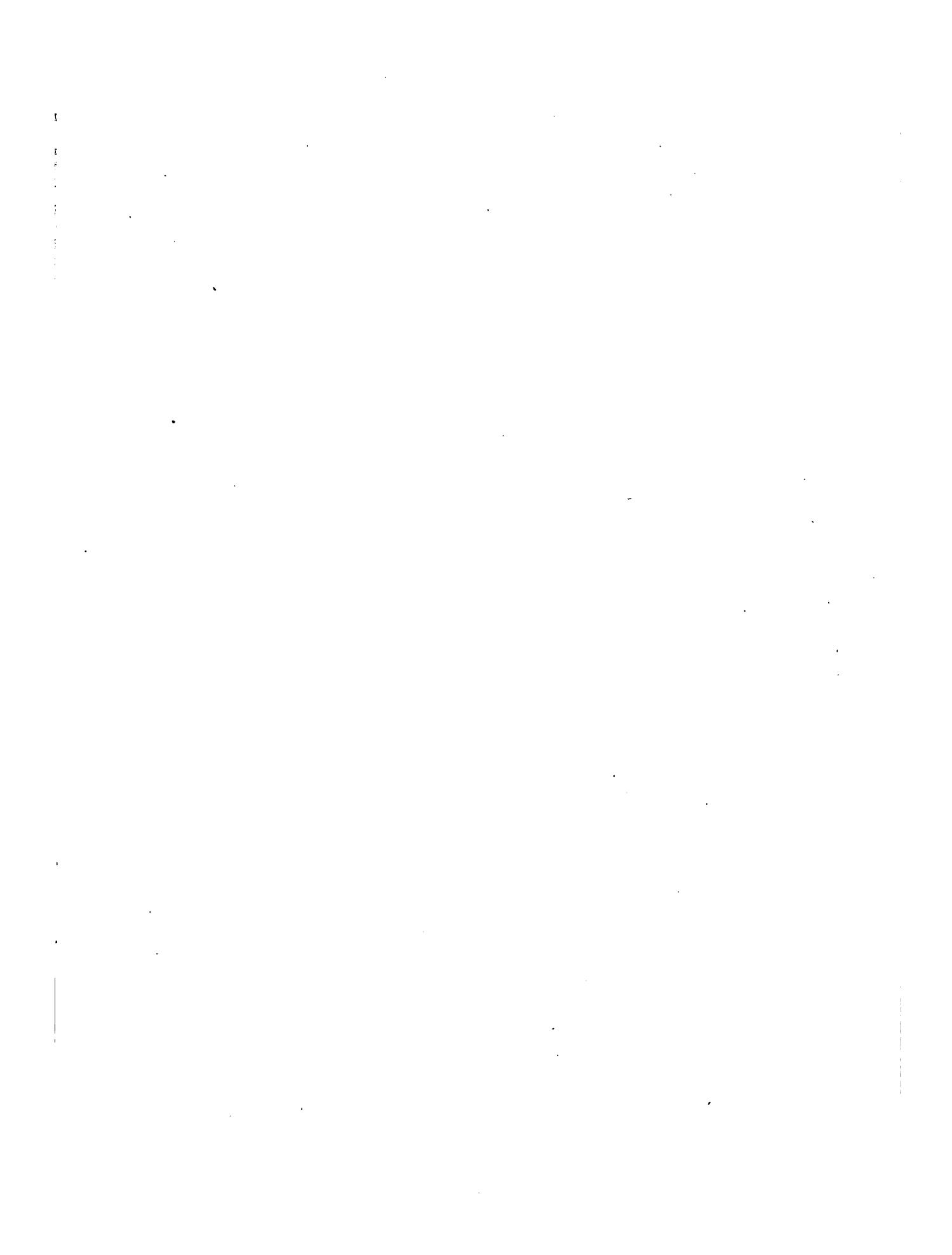
The process is very simple. Open a double entry journal and let your first entry be a journal entry crediting the proprietor for his total assets and debiting each one of the items listed in the statement as assets. This will necessitate opening accounts with *Merchandise*, *Horse and Wagon* and *Furniture and Fixtures*. Make another journal entry debiting the proprietor for the total of his liabilities and crediting the accounts of the different creditor firms. Next open a double entry ledger and post the two journal entries. It will be observed that your double entry ledger balances will correspond in detail with the single entry ledger balances except that in the double entry ledger there will be added accounts with *Merchandise*, *Horse and Wagon* and *Furniture and Fixtures*. Take loose sheets of journal and ledger paper. Make the journal entries necessary to change F. P. Nissen's books from single to double entry on Oct. 15. Post. Take a trial balance.

In order to see even more clearly how single and double entry compare, rewrite F. P. Nissen's business in double entry form, proceeding as follows: (1) Journalize all entries appearing in the single entry day book except the last. It will not be necessary to perform the computations again, and explanatory matter may be omitted. (2) Journalize all entries appearing in the single entry cash book except the first, third, and eighth entries, which you have already journalized, as they appear in both day book and cash book. (3) Post all journal entries to regular double entry ledger sheets (center ruled). (4) Take a trial balance. (5) Make statements, using the inventories of Oct. 15 as given at the end of the single entry set. (6) Close the double entry ledger. (7) Now compare the double entry statement with the single entry statement. The single entry ledger should agree with the double entry ledger as far as it goes. Accounts of what class do not appear in the single entry ledger? Name them in detail.

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